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IN THE COURT OF THE TRANSPORT TRIBUNAL

TRANSPORT ACT, 1947, AS AMENDED BY TRANSPORT ACT, 1953

IN THE MATTER OF THE APPLICATION OF THE  
BRITISH TRANSPORT COMMISSION (1958 No. 1)

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TUESDAY, 17TH FEBRUARY, 1959

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THIRTEENTH DAY

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# PROCEEDINGS OF THE TRANSPORT TRIBUNAL

TUESDAY, 17th FEBRUARY, 1959

PRESENT :

SIR HUBERT HULL, Kt., C.B.E. (*President*)

J. C. POOLE, Esq., C.B.E., M.C.

H. H. PHILLIPS, Esq., O.B.E.

Mr. E. STEWART FAY, Q.C., and Mr. PATRICK BROWNE (instructed by Mr. M. H. B. Gilmour, Chief Solicitor to the British Transport Commission) appeared on behalf of the British Transport Commission.

Sir MILNER HOLLAND, Q.C., C.B.E., Mr. LEON MACLAREN, and Mr. GEORGE MERCER (instructed by Mr. J. G. Barr, Solicitor to the London County Council) appeared on behalf of the London County Council, Hampstead Borough Council and the Islington Borough Council.

Mr. B. J. MACKENNA, Q.C., and Mr. D. A. GRANT (instructed by Mr. Kenneth Goodacre, T.D.) appeared on behalf of the Middlesex County Council, Berks. County Council, Bucks. County Council, Hertford County Council and Surrey County Council.

Mr. DUDLEY COLLARD (instructed by Mr. E. R. Farr) appeared on behalf of the Barking Borough Council and the South Essex Traffic Advisory Committee.

Mr. LEON MACLAREN and Mr. GEOFFREY RIPPON, M.P. (instructed by Mr. Vernon Lawrence, O.B.E.) appeared on behalf of Anglesey, Cambridge, Cheshire, Cumberland, Denbigh, Dorset, Durham, Flint, Glamorgan, Hampshire, Isle of Ely, Isle of Wight, Lancs., Leicester, Merioneth, Monmouth, Norfolk, Northampton, Nottingham, Oxford, Soke of Peterborough, Somerset, Stafford, West Sussex, Worcester and Kent County Councils.

Mr. D. A. GRANT (instructed by Mr. R. Webster Storr) appeared on behalf of Beckenham Borough Council.

Mr. GEOFFREY RIPPON, M.P., and Mr. ROY CALVOCORESSI (instructed by Mr. G. E. Smith) appeared on behalf of West Ham County Borough Council, East Ham County Borough Council, Croydon County Borough Council, Walthamstow Borough Council and Wanstead and Woodford Borough Council.

Mr. S. H. NOAKES (instructed by Mr. N. P. Lester) appeared on behalf of Hastings Borough Council.

Mr. A. E. TELLING (instructed by Messrs. Radcliffe & Co.) appeared on behalf of the London Passengers' Association.

Mr. P. T. LEWIS (instructed by Messrs. Gaby Hardwicke & Co.) appeared on behalf of the Hastings, Bexhill & District Season Ticket Holders Association.

Mr. ARCHIBALD GLEN, Town Clerk, appeared on behalf of the Southend-on-Sea County Borough Council.

Mr. F. A. RULER, represented the Federation of Residents' Associations in the County of Kent.

Mr. D. J. D. WELLMUM, represented the Benfleet & District Railway Travellers' Association.

Mr. JOHN MAGUIRE, F.C.I.S., represented the United Commercial Travellers' Association of Great Britain and Ireland.

Miss DOROTHY D. FORSTER, represented the Walthamstow Trades Council.

Mr. G. A. BAGNALL, represented the Herne Bay Urban District Council.

Mr. WILLIAM HALFORD LAWSON, sworn.

Examined by Mr. GRANT.

4221. Is your full name William Halford Lawson?—Yes.

4222. Are you a Commander of the British Empire, a Member of the Council and a Past President of the Institute of Chartered Accountants, senior partner in the firm of Binder, Hamlyn & Company, Chartered Accountants, and a member of the Southern Electricity Board?—Yes.

4223. And were you from 1948 to 1957 a Member of the Transport Arbitration Tribunal?—Yes.

4224. I think you have been ill since Day 9 of these proceedings, and this is your first day back; you have been allowed to come up to London again?—That is right.

4225. Your evidence is really divided, is it not, into three parts: First of all a calculation of the deficit of London Transport from 1948 to the end of 1957?—Yes.

4226. Secondly you deal with depreciation on the basis of replacement costs, or the provision of a replacement reserve?—Yes.

4227. And also you deal with the provision of a general reserve?—Yes.

4228. Coming to the first part of your evidence, the deficit of London Transport from 1948 to 1957, do you produce the tables which begin with WHL 1?—Yes.

4229. Just to get these into perspective, will you please look at Day 1, page 30; you will see on that page a table at the bottom, Table PJ 14?—Yes.

4230. That is headed: "Summary of financial results for ten years, 1948 to 1957"?—Yes.

4231. Line 1 is the net traffic receipts; line 2 adds commercial advertising, letting of sites, etc.; line 3 is

the total net receipts throughout the years, and from that is deducted in line 4 the contribution to Central Charges, which you see set out there?—Yes.

4232. The contribution to Central Charges is £5.4m. from 1948 to 1953, and then it rises to £5.5m., and that gives, in line 5, the surplus or deficit, and in line 6 we have the accumulated surplus or deficit, culminating in a figure of minus £15.5m.?—Yes.

4233. And it is against that table that we have to compare your tables, is it not?—Yes.

4234. What has been done there is that Mr. James, having made his total of net receipts, has deducted a figure, which does not change very much, for Central Charges?—That is right.

4235. Would you look now at your Table WHL 1. Before we deal with it in detail, I wonder if you would be good enough just to tell us in a few words how you summarise the difference between your approach and the approach which is made in the table we have just looked at?—I have treated London Transport as a branch, and I have given credit to London for interest, for example, on the money which was lent by London to the Commission, and also I have brought into account a proportion of the income from surplus lands, attributable to the surplus lands which belong to London; and I have made a number of other adjustments of that kind and have included as a deduction the interest on the whole of the transport stock issued in respect of London including the part issued in respect of assets which, just after Vesting Date, were transferred to London. That, broadly speaking, has been my approach.

4236. Will you compare that approach with the approach that we have just seen in Exhibit PJ 14. Do

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[Continued]

you say that your approach is likely to be a more accurate approach than that?—I think it must be.

4237. And do you think an approach that omits the factors that you have just set out, that you have taken into consideration, would give a true picture of London's deficit at the present time?—No.

4238. You have prepared some notes, have you not?—Yes.

4239. I expect you have them handy. I do not think we need worry about the first three items; I understand that they have been agreed by Mr. James, and indeed they are identical with the figures in his table. Just looking at your table, will you come to Item 4: "Add:—Letting of land and buildings not in operational use ('Surplus lands')". What you have done is to take a percentage of a global figure?—Yes, 10 per cent.

(President): Mr. Grant, when you say that lines 1, 2 and 3 are identical, you mean that line 3 is identical, but of course lines 1 and 2 are not.

4240 (Mr. Grant): I beg your pardon, Sir: it is the result. You are quite correct; it is line 3 which is identical. (To the Witness): Turning to line 4, the heading to which I have just read out to you, Mr. James on Day 8 did accept your figure as being approximately correct—that is Question 2530. Would you look first at that question; it is on the left-hand side of the first column, Day 8, page 184, at the bottom of the column; he says that the figure "does not appear anywhere in the published accounts as a separate figure, but I accept it as an assessment of that income"—he is there talking about this line. Now will you look at the next column, at Question 2541; Mr. James was asked: "If one makes this approach, the approach you find in Item 12, then it would be reasonable, would it not, to make an addition to the receipts of London Transport in respect of the income derived from those surplus lands, having charged London Transport with the interest upon the purchase price of the lands?" and he answered: "Yes, but, you see, I approach that the other way round. I say line 4 is not a proper credit, that you should reduce the interest charged by £0.1m. in every year". He is making a different approach, is he not, making an adjustment to line 12 on your figure? What do you say about that?—I do not know how he arrives at his figure of £0.1m., but I should say that my approach is right if these were surplus lands belonging to London. Mr. James seems to look at the income derived from those lands as approximately the figure I have included in Exhibit WHL 1, and I should have thought that that was the proper figure to bring into account to the credit of London before calculating what the deficit on London is.

4241. Yes; in line 12 you have taken into account all the stock issued to the stockholders of the former London Passenger Transport Board?—Yes.

4242. And you say you do not know how he has taken £0.1m.; if it was based on the book value of the properties at the date of transfer, would you say that that was a fair way of doing it?—That may be quite wrong; one does not know what was the real value of the properties at the date of transfer. I should have thought that the other alternative was to take the real value of the properties at the date of vesting, and give London a credit for that, but I do not know that figure.

4243. And you think it would be very difficult, if not impossible, to find that figure out?—I do not know it.

4244. Unless there had been a valuation made at that time?—I think mine was the more normal way of doing it in any case.

4245. (President): But is it not fairly obvious that Mr. James, in suggesting that figure of £0.1m., has arrived at it by putting the value of the assets in the London Passenger Transport Board's accounts as £3.4m.? That is what was stated in your notes?—Yes, as the book value. I suppose he has taken 3 per cent. of that.

4246. No; do you not think he said: That is roughly one-fortieth of the total new transport stock issued in compensation for the London Passenger Transport Board stock, and therefore one-fortieth of the interest which you are taking as £4.1m. in this first year will represent the interest on that part of the Transport Commission's stock which is attributable to surplus lands?—I should have thought, with all respect, that that was a wrong approach; he ignores altogether the real value of the land.

4247. But that neither you nor anybody else knows?—No, but in the absence of that, I suggest that my approach is the more accurate approach—taking the actual income.

4248. (Mr. Grant): Now if you would look at lines 5 and 6 of Exhibit WHL 1, those are headed: "Credits to maintenance equalisation account—(a) Excess of standard charge over expenditure", which runs from 1948 to 1953, and "(b) Net provision to equalise charge", which runs from 1954 to 1957?—Yes.

4249. For the make-up of that figure we have to look at another table of yours, Table WHL 7, have we not?—Yes.

4250. In WHL 7 we see in the years 1948 to 1953, on a line fairly near the bottom of the table: "Shown on WHL 1, Item 5, as" and there are set out the figures. Will you just tell us how you got those figures; I think it is clear from the table?—They are taken from the accounts, and I think they are really agreed by Mr. James. I know he made a few minor adjustments, but I accept them; I do not think there is any difference between us on figures.

4251. And there, at the bottom line of the table, you see the figures in Item 6 of Exhibit WHL 1?—Yes.

4252. Again you have taken them from the accounts?—Yes.

4253. Mr. James did not accept this approach which you have made at all?—I have now had the benefit of hearing Mr. James's evidence as regards this treatment of the maintenance account, and it seems to me from what he said that the amounts credited to these accounts from the years 1948 to 1957 will all be used up in the next few years in the relief of charges which would otherwise have to go to revenue account. This may reduce the importance of this matter. In my view, however, it is an unreal procedure to transfer amounts to a maintenance equalisation account in the years when London Transport has made a deficit. In such years no cash is in fact available to be set aside for the benefit of future maintenance. My adjustments have the effect of adjusting the maintenance charge on to a cash basis, except as an expenditure on deferred repairs in the immediate post-Vesting Date period. This seems to be the practical approach for the purpose of ascertaining the accumulated deficit to date on London Transport.

4254. You say that to try to ascertain the deficit at the end of 1957, you should not make this transfer, especially in years where there have been deficits?—They are purely book entries.

4255. And they do not represent an increase in the deficit on London Transport; is that right?—That is so.

4256. As I understand you, you say that of course this matter will become less important as time goes on if Mr. James is right in saying that in fact this money will be used up in future years?—Yes. I think I have understood him correctly in saying that by about 1963 all these amounts will be used up, so by that date the position will have adjusted itself.

4257. Then we come to line 7 of Exhibit WHL 1: "Income from investments in respect of British Transport Stock Redemption Fund". Mr. James did accept that figure, but the President asked Mr. James a question on Day 8, page 188, and I would like you to deal with that, if you can. To be more accurate, be asked Mr. MacKenna a question about it. It comes towards the end of the first column at the end of page 188: "(President): Yes, but the redemption fund is presumably to be calculated by reference to the Treasury Regulations as to redemption of British Transport Commission Stock generally". Is that right?—Yes, that is correct.

4258. You have calculated in accordance with the regulations?—Yes.

4259. But when you have calculated the amount of interest you would get on the money allocated to redemption each year, how have you done that?—I have just taken the Bank Rate.

4260. And you think that is the realistic approach?—I should think so.

4261. So in ascertaining what amount of money should be allocated each year to the redemption of this part of the stock, you have taken the Treasury Regulations?—Yes.



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[Continued]

4262. And in ascertaining the income received from the money, you take the factual approach of the Bank Rate of the year when you set the money aside?—Yes.

4263. Then until we come to line 20 those are the only additions to be made on your table to the net receipts or deficits. Now we come, on line 10, to the deduction of Central Administration Expenses, and at page 188 of Day 8, at Question 2602, Mr. James accepted that figure, and I do not think I need worry you about it. Item 11 is the deduction of interest on LETFC loans—

4264. (President) (To the Witness): Line 10 is one-tenth, is it not?—Yes, Sir.

4265. (Mr. Grant): Yes; I beg your pardon?—Line 10 is simply one-tenth.

4266. I quite understand; I think it was accepted as a sensible method of approach. Line 11 is the deduction of interest on the loans; it is set out there, and again I think Mr. James had no comment on that. Line 12 is the deduction of interest on British Transport stock; that is made up of two figures, is it not; first of all, it is the stock issued to the stockholders of the old London Passenger Transport Board?—That is right.

4267. And then stock which you have taken as the equivalent of certain assets transferred to the London Transport Executive?—Yes, another £10m.

4268. You have taken £10m., and you take that as the basis on the answer which was given by Sir Reginald Wilson when he estimated £10m. to be the right figure?—Yes; I believe Mr. James accepted that too.

4269. He said he would adjust it to £12m.; would it make any substantial difference to your table if that adjustment were made?—No.

4270. Coming to Item 13, "Amortisation of Discount on Issue of British Transport Stock", again I think there is no comment on that by Mr. James. Item 14 is: "Other 'Special Items'", and Item 15 is: "Provision for redemption of British Transport Stock"; again there was no comment on that by Mr. James. Now we come to Item 18, which is: "Interest earned on 'Surplus Funds' attributable to London Transport". For the make-up of that figure we have to look at Exhibit WHL 2?—Yes.

4271. I think what you have done there is clear from your table, but you had better just explain to us what you have done. First of all we have the figure of £40.2m., which you find on the right-hand corner of that table; where have you got that from?—That is a figure which came in from the old London Passenger Transport Board. Then I have made all the adjustments shown here; I have brought in the surplus or deficit each year. I did put some notes in on this; I do not know whether you want them.

4272. Yes; the notes have been put before the Tribunal. There are separate notes, are there not, from each table?—Yes.

4273. Of course, all the lines came in from other tables, did they not, as I think the learned President pointed out?—Yes.

4274. And having started from £40.2m., if these other figures are brought in correctly, you get the result shown in this table?—That is right. I end with a balance of £7.3m., I think, at the end of 1957.

4275. There is one point here with which we ought to deal; would you look at Day 8, page 190. Mr. James gave an answer at Question 2633, giving the two distinct approaches; it is at the bottom of column 12?—Yes.

4276. He said: "You see, there are the two quite distinct approaches. There is this approach which endeavours to put London Transport into a separate packet and say: Here on this side I can allocate so much of the stock issued and the subsequent capital transfers; and here on this side I can pick up the assets of the London Passenger Transport Board and follow that through. One could go quite a long way with that without getting into trouble, as previous people have done. And the approach which the Commission have favoured all along: Take the Commission globally and try to assess the London Transport share of the Commission's financial responsibilities as a whole. I think if you are making the approach you are arguing from here, it is right to bring this £40m. in. I am sorry for that rather long answer". Then the

President said: "Whatever we may think about it, somebody will still be considering it in 1999, so the burden of following the dowry of this handsome bride during the next forty or fifty years is—". What do you say about that; is the burden of following this sum through the years so onerous?—Not at all. It is what, as I understand from Mr. Winchester's evidence, it is proposed to do in future. As I understand it, in future there is to be a separate Balance Sheet of London Transport in which the deficit to date will be shown, and in which assets and liabilities will be shown, and in which the movement of these accounts will be followed through from year to year. If that had been done from the beginning, the task of ascertaining the deficit would have been a very simple one; the necessity of doing all these calculations is merely because the books have not been kept in that way.

4277. And if it was decided that the books should be kept in that way in future, would there be any difficulty in following the dowry of this handsome bride from year to year in the future?—None whatever; I do not think Mr. Winchester suggested there would be.

4278. I will come to Mr. Winchester's answer; that is at Day 10, is it not, page 234. This may be the answer you are thinking of; it is the answer to Question 3460?—Yes, that is the one I have marked.

4279. That is in answer to Mr. Poole, and Mr. Winchester says that after ascertaining the deficit: "We shall put into the London Transport Accounts a London Transport Balance Sheet which will start off with an accumulated deficit of some figure or other, and to the extent that London Transport earns more than its Central Charges in any year, the surplus can be applied in a variety of ways, either by wiping out the accumulated deficit, or by building up the reserve for replacement or any other reserve". What you are saying is that as part of that Balance Sheet there would have to be some calculation done similar to that on WHL 2; is that correct?—You have to do a calculation to get an opening deficit as in Exhibit WHL 2, but having once got it, from then on I think the figures would follow automatically. For example, any money which was a surplus in London and was lent to the Commission would be shown on the current account on which interest would be charged; the type of adjustment I have made on WHL 1 would in future be made in the books. In my experience that is invariably done for all large undertakings.

4280. You are talking about large commercial undertakings, private undertakings?—Yes, but it is done by the nationalised industries, too. This, I think, is wholly exceptional.

4281. When you are dealing with private companies you are thinking of the position where they have subsidiary companies?—Yes, or branches.

4282. There is nothing extraordinary about keeping those branch accounts separate in the way you suggest it should be done?—They do it invariably.

4283. And you say that also applies to nationalised industries?—The set-up is different, but the electricity industry does that, of course. I know that the legal set-up in the electricity industry is different, but they have always followed what I term the specific approach.

4284. And it has not caused any complications?—None at all.

4285. If we may go back to WHL 1, line 19, is simply arithmetical, is it not?—Yes.

4286. Which brings you to the total accumulated deficit in the last column of £3.9m.?—Yes.

4287. Then you have deducted from the deficit the figure in line 20 of Income Tax recovered in 1954—proportion estimated to be attributable to London Transport?—Yes. I put in a pretty full note about that, and I have nothing to add to that note. I could read it again if you wanted it read.

4288. It has been put, I think, to Mr. Winchester. Would you look at Day Nine, page 214, Q. 3036: "... In 1954 did the Commission transfer £12m. from its tax account to an account described as Provision for Contingencies?", and then on the next page, Q. 3038: "If I may just read the note"—that is the note in the account—"The sum of £12m. has been transferred from

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[Continued]

this Account'—namely the Tax Account—to a Provision for Contingencies, being approximately the excess of tax recovered on dividends declared by subsidiary companies, mainly out of pre-acquisition profits, over the tax charges in their Accounts during the period from 1943 to 1954, the Commission having incurred deficits on Revenue Account over the same period". I suppose there are really two points about this, are there not, first of all whether you are correct in allocating any part of this money to Revenue Account—is that one point?—Not really, because the Commission have put it to a Provision for Contingencies, which, in a sense, is a Revenue Account. If you use a provision for contingencies to replace revenue, for items that fall on revenue, I would not claim to treat it any differently; but even as a provision for contingencies it is something which would be offset.

4289. In answer to your point you say that really is the way the Commission have treated it?—I would not claim to treat it any differently from the way that they have treated it.

4290. You have treated it as a Revenue Account?—I think that is right.

4291. The next point is the proportion you have taken of this total sum of £12m. You have taken one-twelfth?—Yes.

4292. It was put to Mr. Winchester in some detail on this page as to how you came to that apportionment, and you can explain it if necessary?—I have simply added up the losses of London and the total losses and assumed that this item would be proportioned in the same proportions as the losses which have been incurred.

4293. That gives you a figure of one-twelfth?—Yes.

4294. That is what you have done?—Yes.

4295. Is that, in your view, a fair way of doing it?—I think it is a rough-and-ready fair way. There is no precise way of doing these things.

4296. What do you say about the correctness or otherwise of taking this figure into consideration at all in reducing the London deficit?—I think one must do that. As I see it, this is Income Tax which has been recovered by reason of the fact that the Commission as a whole have been making a loss, and if there is a windfall of this kind it is an appropriate adjustment to give part of that windfall to each part of the organisation which has made losses.

4297. If you are wrong about the losses, the proportion would go up higher, would it not? If the Commission are right in saying there have been bigger losses in the last ten years, your figure would be higher?—Then we get a bit more, yes.

(President): Assuming the losses on the other branches or parts of the Undertaking, on Mr. Lawson's approach, remained the same?

4298. (Mr. Grant): Yes, that must be so. (To the Witness): Is there anything you wish to add about your Table WHL 1?—No, I do not think so.

4299. Or the method of approaching that table?—I think I should just like to say a word about this so-called global approach. I am not sure that I really fully understand the purpose of the global approach, but, as I understand it, the effect of it is that London money to the extent of £14.2m has been lent to the Commission free of interest, and also the Commission has had the benefit of the income from London surplus lands without any credit having been given to London. If that is the effect of the global approach, or the global method, then it seems to me there must be something wrong with that method. I would not put it higher than that.

4300. Before we leave this series of tables, would you look at WHL 4. That is headed: "Estimated net surplus or deficit of London Transport for 1958 and 1959"?—I have added in the word "budget" on my copy, as Mr. James quite rightly pointed out.

4301. The figures in line 1 are budget figures?—They are both budget, 1958 and 1959.

4302. Is there any other adjustment you would like to make to those figures?—I am not sure which copy everybody is working on, but I have adjusted my copy to deal with the point which Mr. James quite rightly made on

the Equalisation Maintenance Account, the effect of which is that I have debited another £0.1m. in 1958 and another £0.7m. in 1959. So that right at the bottom the net deficit for 1958 becomes £0.1m. instead of "nil", and the net deficit in 1959 becomes £1.2m. instead of £0.5m. In that connection one must bear in mind that the £0.7m. which I have debited for maintenance on my approach is a quite abnormal figure of maintenance due to these overhauls, for which Mr. James in these calculations has provided in a different way. It is an exceptional debit, but, nevertheless, on my approach it is a debit which clearly ought to come in.

4303. So you accept that your figures should be adjusted downwards in that way by reason of the exceptional overhaul?—That is right.

4304. That is the exceptional overhaul referred to by Mr. James in his evidence?—Yes.

(President): To get that quite clear, in 1958 the final figure is £0.1m., and in 1959 the final figure is £1.2m?

4305. (Mr. Grant): Both deficits, yes. (To the Witness): Can you summarise the effect of your evidence on Tables WHL 1 to WHL 4? What do you say the accumulated deficit of London should be instead of the £15.5m. that we had given to us in PJ 147—I say £2.9m. down to the end of 1957, which is the last year for which we have the actual results.

4306. What should be the figure of the surplus funds for London Transport in 1957?—£7.3m.

4307. Then the figures for the budget for 1958 and 1959 should show a deficit of £0.1m. in 1958 and a deficit of £1.2m. in 1959?—That is correct.

4308. Would you now be kind enough to turn to another matter altogether, that is the question of depreciation?

(Mr. Fay): Is Mr. Lawson not going to deal with his method of dealing with the standard charge based on WHL 7, taking in the credit but ignoring the debit?

(The Witness): I thought I had dealt with that in the note which had been put in.

4309. (Mr. Grant): Would you look again at WHL 7?—The reason why in the early years, from 1948 to 1953, I have allowed these charges against the provision is because at that time, as I understand it, London Transport was making good the repairs which had been deferred from the War period, and they were quite properly charging part of that deferred repair against the provision which had been set up for it in the old London Passenger Transport Board. That was the normal practice at that time. I understood that by 1953 the whole of those repairs had been completed. I did not think that the Commission were right in offsetting against those deferred repairs, by, in fact, netting the figures, the amounts which had been credited to the provision; indeed, it appeared in the examination of Mr. James that the purpose of those credits was entirely different from the purpose of the deferred repairs to which I have referred. We heard, for example, that there was a fleet of new buses and that there was a provision made for overhauls which might be exceptionally large in four or five years' time, which is quite a different thought, quite a different conception. It is the same with the other items of the ways and structures assets, those are equalisation matters and they are quite different. I have explained that I would prefer to deal with those on a cash basis, and that is what I have done—I think rightly so—for the purpose of arriving at the London deficit. I accept the fact, on Mr. James's evidence, that in a few years time it will, on balance, be gone, because he is going to use these provisions, now he has created them, for the purpose for which he has created them.

4310. Would you be kind enough to turn to the question of depreciation?—Depreciation is a rather difficult matter. I have some rather lengthy notes on it, but, if the Tribunal were willing, it would, perhaps, be simpler if I just read my notes straight through rather than try to deal with it by question and answer. Would that be agreeable?

4311. (President): How many pages have you in your notes on that subject?—It is not too bad, Sir; four or five, I think.

4312. (President): I think it probably would be shorter in the transcript than if Mr. Grant examined you?—I rather think so. I think it may hang together better.

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[Continued]

The Commission has submitted that one of the reasons why it should be given powers to increase its charges is to provide additional revenue of £3m. per annum to establish a replacement reserve. The general question is as to whether, in times of rising price levels, provision for depreciation of fixed assets should be calculated on historical cost or on "replacement costs" for the purpose of fixing prices to be charged. The subject is extremely complicated and many of those who speak or write about it seem to concentrate on one particular aspect to the exclusion of others. The part of the picture which seems to have been omitted in the presentation of the case by the British Transport Commission is the highly relevant fact that the whole of the capital of the British Transport Commission has been provided in the form of Loan Stock on which interest and sinking fund are payable in sterling without any adjustment in times of rising prices.

Before considering this aspect of the subject, it is necessary to refer briefly to the main differences between historical cost and replacement cost depreciation.

Historical cost depreciation is based on the principle that the capital of a business is a given sum of money and it is that money capital which must be maintained intact in calculating the amounts which, subject to taxation, are available for distribution to the proprietors. This purpose is achieved, where the assets consist of fixed assets, by amortising the historical cost of fixed assets, less any residual scrap value, over their useful lives. It is not the purpose of historical cost depreciation to provide for the replacement of assets, but its effect is to retain from revenues amounts of cash which, in times of stable prices, should be at least sufficient to provide for replacements. Such sums are, however, not earmarked for replacement and are more frequently reinvested in fixed assets (including extensions) year by year. Sometimes they are used for repayment of loans.

The term "replacement cost" is misleading. It is seldom that an asset is replaced by an identical asset, and the new asset is likely to have been affected by technological developments both as regards cost, estimated length of life and operating efficiency. Frequently new assets are so different from the old that they can hardly be described as replacements at all, and sometimes, of course, assets are just not replaced because the business is declining.

It must also be borne in mind that if the object were to provide for the replacement of assets, the calculations would have to give recognition to the fact that sums set aside annually out of revenues can be put to profitable use either within the business or outside it until such time as they are required to meet the cost of replacement.

The purpose of replacement cost depreciation can be stated in two ways: (a) By reference to the capital invested in a business (the left-hand side of the Balance Sheet), and, (b) By reference to the assets employed in a business (the right-hand side of the Balance Sheet).

As regards the capital invested, it is said that those who invest money in an undertaking are entitled to expect that, in times of rising price levels, the purchasing power of their original investment shall be maintained either in terms of some general index of price levels or in terms of a special index suitable for a particular business. From this point of view "replacement cost" depreciation is based on the principle that it is the "real" and not the money value of the capital which has to be preserved.

As regards the assets employed, it is said that a business should maintain its productive or physical capacity and that replacement cost depreciation provides the money required for that purpose.

These two aspects of the problem are complementary. If amounts are set aside to maintain the invested capital in "real" terms, the money will have been provided to maintain the productive capacity of the business. Alternatively, if amounts are set aside to maintain the productive capacity of the business, then the capital invested will be maintained in "real" terms.

If a business is financed entirely by Loan Capital, payable in sterling, it is inappropriate to set aside any amounts to maintain the capital in "real" terms. If, in such circumstances, amounts are set aside to maintain the productive capacity of the business, an unnecessary surplus will be produced. The real weight of indebtedness will

have been reduced as a result of the rise in prices and additional sums can be borrowed to assist in providing the cash required to maintain the productive capacity of the business. The calculation of replacement cost depreciation is the same whether the problem is approached from the point of view of capital invested or from the point of view of the assets employed.

The calculation of replacement cost depreciation cannot be made with any precision. The normal method of calculation is to apply a multiplier based upon a chosen index of price levels to the annual charge for historical cost depreciation. This method has the merit of simplicity, but the choice of index is all-important.

The question whether the amounts calculated by this method will be sufficient to maintain the invested capital of the business in "real" terms and the physical capacity of the assets depends upon the so-called "back-log". If the amounts set aside each year are retained in cash or invested in cash assets, such amounts will be subject to further diminution in value in "real" terms and this factor will not be allowed for in calculating future annual charges. If, however, as is normal, the annual sums are reinvested in fixed assets in the business and if those assets are, in turn, subjected to replacement cost depreciation, the invested capital of the business will be maintained in "real" terms.

I would, perhaps, like to make this point, because it is not always realised, that where these depreciation sums are re-invested in fixed assets and the replacement depreciation charge is made year by year, there is, in fact, no back-log.

It may be helpful, in considering the effect of replacement cost depreciation, to consider the examples which have now been submitted. Perhaps I could just refer to them briefly. They are on WHL 6.

4313. (Mr. Grant): They are set out in Day Nine at page 218, if you wish to refer to them specifically?—These examples are based on Mr. Fay's illustration of a bus which originally cost £1,000, which Mr. Fay submitted on the First Day of the Hearing. The first example assumes stable prices and illustrates the effect of historical cost depreciation. Examples 2 to 6 assume a rise in prices of 100 per cent. over ten years, so that the bus will have to be replaced at a cost of £2,000. Stability of prices is assumed after ten years. For the sake of simplicity, these examples ignore back-log, technological improvements and other important matters.

It will be seen from example 1 that, in times of stable prices, historical cost depreciation provides the amount required for replacement and that there will be no increase in either interest or depreciation charges after replacement has taken place. Example 2 shows that, if historical cost depreciation is applied in times of rising prices, it will be necessary to introduce new capital at the time the bus is replaced. Where, however, the bus is financed entirely by Loan Capital, the higher value of the new bus will have provided cover for the additional loan; the real weight of indebtedness will be no greater after replacement than it was when the original asset was bought. Interest and depreciation charges will, however, be greater as from the date of replacement. Where replacement cost depreciation is applied, the position will depend on whether the business has been financed wholly by Share Capital or wholly or partly by Loan Capital.

Example 3 assumes that the business has been financed entirely by Share Capital. Replacement cost depreciation results in the emergence of a money reserve equivalent to the amount required to maintain the Share Capital intact in "real" terms. Cash has been provided for replacement. Depreciation charges will have been increased at an earlier date than under historical cost depreciation. No further increases will be required after replacement so long as prices remain stable. There will, however, be no reduction.

Examples 4 and 5 assume 50 per cent. Share Capital and 50 per cent. Loan Capital. It will be seen from Example 4 that if replacement cost depreciation is provided on only half of the assets and historical cost depreciation on the remainder, the Share Capital will be maintained in "real" terms. Additional Loan Capital will have to be introduced at the time of replacement, but the proportion of borrowing to assets will still be only



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50 per cent. There will be some increase in interest and depreciation charges after replacement.

It will be seen from example 5, however, that if replacement cost is provided on the whole of the assets, the Share Capital will have been more than maintained in "real" terms. In the example given it will have been trebled while prices have been only doubled. Cash will have been provided for the full amount of the replacement and the Loan Capital will have fallen from 50 per cent. of assets when the original asset was purchased to 25 per cent. after replacement.

Finally, example 6 shows the position with replacement cost depreciation where assets are financed by 100 per cent. Loan Capital. It will be seen that a surplus emerges which places the business in a better position than it would have been if prices had remained stable, as shown in example 1.

I have brought in these examples in order to illustrate the justification for providing for replacement cost depreciation when a business is financed by Share Capital. Examples 4 and 5, however, show the position where a business is financed partly by Loan Capital and partly by Share Capital. It emphasises the point that if replacement cost depreciation is provided upon the whole of the assets, this will produce a greater amount than is necessary to maintain the Share Capital and Reserves in "real" terms. The reason for this is that part of the assets will have been financed by Loan Capital which cannot be maintained in "real" terms unless adjustment is made in favour of the lenders. This is seldom, if ever, done in this country. Therefore, historical cost depreciation only should be charged on that part of the assets which has been financed by Loan Capital.

Having dealt with the general principles as applicable to any business, it is now possible to consider the special position of London Transport. The invested capital, which consists entirely of loans, cannot be maintained in "real" terms. Nothing can be done to assist those who have provided capital for the industry however much they may have suffered through the reduction in the "real" value of their investment and of the interest which is paid upon it.

In my view, in the particular circumstances of London Transport, historical cost depreciation should continue to be charged in times of rising prices for the following reasons: (a) The capital consists entirely of Loan Stock. It is wrong, in principle, to consider the effect of rising price levels upon the assets without also considering the effect upon Loan Capital and other liabilities; (b) If replacement cost depreciation were charged in order to provide the money required to maintain the physical capacity of the assets, the undertaking would be in a better financial position in times of rising prices than it would have been if prices had remained stable; (c) Replacement cost depreciation will result in higher charges to the public at an earlier date than is necessary under historical cost depreciation; (d) If, by applying historical cost depreciation, any increase in charges is delayed until assets are actually replaced, the amount of such increase may be less than if it had been made earlier to cover replacement cost depreciation. The reason for that is that higher interest and depreciation charges arising on replacement would be partially offset by technological improvements affecting the cost, life and operating efficiency of the new asset; and (e) If new loans are taken to cover the increased costs of replacement, the total weight of indebtedness in "real" terms would be no greater than it was when the original assets were purchased.

4314. That is your point of view. Would you be kind enough to look at Day Ten, page 236, Q.3538, because I think this summarises Mr. James's point of view. It is a question asked in re-examination when my learned friend asked him whether he wished to add anything to what he had said on the matter: "I think not, except to emphasise this point, that the main purpose of this undertaking is to provide transport services for the public of London and we must assume, as I said the day before yesterday, that the undertaking is going to continue in perpetuity and we must assume that out of the revenues of the undertaking we shall set aside sufficient moneys to keep that undertaking in a fit operational condition, that is to enable us to replace the assets which are used up

in the business when the time comes to replace them. That means, of course, that during the period we are using the assets the public will have to make an adequate provision towards their replacement. It means the public of today will make sure that they leave for the public of tomorrow an effective and efficient undertaking. If inadequate provision is made for replacement at the present time, then the public of today are consuming the substance of the undertaking and leaving a liability to the public of tomorrow which, in my view, it is quite improper to leave". I do not want you to concern yourself with the question whether the public of today are substantially the same people as the public of tomorrow, but you see there Mr. James is saying that if replacement is made on the basis which you suggest sufficient money will not be set aside to enable the British Transport Commission to remain in a fit operational condition. Do you understand the point he is making?

—I accept straightaway the fact that the British Transport Commission must be maintained in a good operative condition, I do not dispute that; the difference between me and Mr. James is merely that he says this must be done out of revenue, and I say it may be done partially out of borrowing. I think we are in agreement that one should hand on to the next generation, or the next year, or whatever period you like, a fully operational organisation, and I accept that; but the point we have to consider is how much loan capital is it reasonable to hand on, and I am suggesting that one should pass down to the next generation no more in the way of real indebtedness, no more in real terms, than was the indebtedness at vesting date. That seems to me to be a reasonable approach to the problem, and on that approach one borrows a substantial part of those sums instead of increasing fares to get it out of revenue. That is the point at issue.

4315. In time of inflation your borrowing would go up with inflation?—Yes, because the weight of the loans you already have is continually declining, and one offsets the other.

4316. Do you see anything that is contrary to the public interest in that?—I cannot see anything contrary to public interest; on the contrary, I think it is in the public interest, because it avoids your putting up fares as early as you would otherwise have to do, and it allows time for these technological developments, and so on, to fructify, so that, in fact, you may never have to put your fares up by as much as you would if you put them up in advance on a replacement-cost basis.

4317. Is there any difficulty in your mind in dealing with this matter on a replacement-cost basis when you are writing off your assets over a long period so that you do not know what sort of asset you will be replacing when the time comes to replace it?—Clearly, the longer the life of the asset the more uncertain the calculation.

4318. Can you make any estimate now of the operational efficiency of any asset which you will be replacing, say, in 20 or 30 years time?—I should have thought not.

4319. I want to continue dealing with this question, but I want to turn your mind to matters which Mr. Fay raised in his opening when he referred to a number of authorities which he prayed in his aid to support depreciation being made on the basis of replacement costs. Is it true to say that in the last few years there has been a wider recognition of the use of depreciation on a replacement-cost basis?—I think it is true to say that in the last two or three years replacement cost depreciation has received wider recognition in discussions regarding the fixing of prices in the United Kingdom. In North America, where, of course, public utilities are still privately owned, there have been a great number of decisions by Commissions, and, indeed, by Courts of law as well, on this question of the replacement-cost depreciation. My information, for what it is worth, is that at the present time the principle of replacement-cost accounting has been conceded in the United States in only one State, despite the fact that inflation there has been as high as it has been in this country.

4320. That is in one State dealing with public-utility companies?—Yes. There is quite a different situation there, because, of course, public utilities are still under private ownership.

4321. (President): You mean that is a State Commission regulating the charges of the utilities?—Yes, in electricity in particular.



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4322. Which is the State you have in mind?—I have forgotten which one it is, but there is only one.

4323. (Mr. Grant): Perhaps you can find that out?—I dare say we could find that out.

4324. There is one State, but you cannot remember which it is?—No, I have not got a note.

4325. In the quotation which Mr. Fay made, I think he referred to the Chambers Committee Report on London Transport and the Federation of British Industries' Report. What do you say about them?—I think it is questionable whether the principles of replacement-cost accounting are yet sufficiently understood in this country. It is quite clear that in none of the statements quoted by Mr. Fay is reference made to the distinction between finance by share capital and finance by loan capital. Some of the statements quoted by Mr. Fay, such, for example, as those by the Chambers Committee and the FBI, are, of course, merely brief references of a general character contained in documents which were dealing primarily with other matters. In other cases quoted by Mr. Fay I do not know how far the businesses concerned are financed by loan capital and whether that aspect of the problem was of any particular significance. In the case of the Inquiry into the electricity industry, however, the question of loan capital is clearly a highly relevant factor in considering replacement costs. It is evident to me that the Herbert Committee never considered this aspect at all, because if they had done so they could not have failed to have referred to it in the detailed analysis of the problem which they made.

4326. To sum up the position here, do you think it would be desirable in the public interest, over the long term, that London Transport should be enabled, by raising fares, to set aside a sum of £3m. for Replacement Reserve year by year?—I think it would be against the public interest. I think you would be putting the fares up, firstly, before it is necessary, and, in all probability, you would be putting them up considerably more than will ultimately prove to be necessary.

4327. What would have been the position to-day if they had been allowed to do that in the last ten years?—I suppose we would have on this account alone £30m. of cash. I should, perhaps, say that the figures are startlingly large. I know there is probably a reason for it, but in the electricity industry, for instance, the additional depreciation which the Herbert Committee recommended was only about 20 per cent., 15 to 20 per cent., of the normal historical-cost depreciation. In industry generally where this provision is made it runs to that size of figure; but here, of course, the figure asked for by the Commission is of the order of 80 or 90 per cent. of the normal historical-cost depreciation. I assume it is because of the very great age of the assets, but it is quite a marked feature.

4328. I now want you to turn to another aspect of this case, that is the provision for a General Reserve. One of the grounds—not essential to the Commission, of course—is the use of the General Reserve to reduce the deficits. What do you say about that? First of all, there must be the point of how much the deficit is, and you already dealt with that?—Yes. I think it is reasonable to have a General Reserve of some kind. I think the Commission is entitled to say that they want to liquidate this deficit, such as it is—and I think it is a relatively small figure, but, as I say, "such as it is"—and I think, perhaps, they are entitled to say that, and, much more important, I think they do need—and I accept the fact—a buffer for exceptional circumstances such as Strikes and that kind of thing.

4329. You know the figure they have suggested is a figure of £2m. a year for General Reserve?—Yes.

4330. I want you to deal with that, first of all, in the light of the deficit, supposing you are right in saying the deficit is only £2.9m. How much do you think they would need for that?—You cannot really divide it up, but you do not need much, obviously. That is a deficit of only £0.29m. for the ten years, and I would not think you would need very much for that. I would rather not try and divide this up into watertight compartments, because I do not think one can quite do that.

4331. Mr. James's view, of course, was that even if the deficit was as small as we said it was, he would still need

the £2m. mainly for self-financing. What do you say about that?—I have a note about it here. May I deal with self-financing and then come back to the Reserve, because the self-financing is wrapped up in it?

4332. It is one of the purposes for which the Reserve was proposed. It is Paragraph 72 of your note, is it not?—Yes. Most privately-owned businesses seek to provide part of their capital requirements by ploughing back profits. Small businesses often cannot obtain adequate capital from any other source. Larger businesses which have recourse to the Stock Markets must show a margin of earnings as cover for the interest or dividend of the new Stock which they wish to issue, and such a margin can only be provided by retaining in the business a substantial part of the profits. These are the main reasons for self-financing, and they were just as valid before the War, in times of stable prices, as they have been since the War when prices have continued to rise. In recent years self-financing has, however, risen through encouragement from the Profits Tax on distributed profits, which has recently been abolished. The position of London Transport seems to me to be entirely different, because its finance is provided by, or under guarantee of, the Government and there is, therefore, no necessity to provide cover for the interest payable on the capital. I do not, therefore, see any need for self-financing as such, although, as I have already said, I think it would be reasonable and sensible for London Transport to aim at building up a moderate reserve for the purpose of meeting unforeseen contingencies and the like. On a final analysis of this question of self-financing it seems to me to be a political test as to whether the Government will provide adequate capital for London Transport through the Transport Commission, or whether it will insist upon the whole or part of that capital being obtained from higher charges to the public. Apart from that political question, I see no advantage in self-financing.

(President): Whatever else we do, we cannot ask the Government what position they propose to take.

4333. (Mr. Grant): You said that you accept that some sum might well be set aside for General Reserve. Can you give any estimate of the amount you think it would be reasonable, in the circumstances, to set aside for General Reserve?—I would have thought that in an undertaking of this size an annual surplus up to £1m. would be reasonable.

4334. I want you to turn to another aspect altogether, which is the financial requirements over the next few years?—For the period of ten years, 1948 to 1957, it has not been necessary for the British Transport Commission to provide any new capital for London Transport. In 1955, of course, an expired loan of £29m. from London Electric Finance Corporation was refinanced. On the contrary, in ascertaining the London Transport financial position, £7.3m. appears to be the sum available as at the 31st December, 1957—that is my Exhibit WHL 2.

4335. Subject to any deficit in the operations in 1958, should that still be available to London Transport?—I would have thought so, yes. Some of it, I know, has gone during 1958, but, subject to that, it should be still available.

4336. On Vesting Date London Transport acquired a large block of assets, did they not?—Yes.

4337. Were they of varying ages?—Yes.

4338. When a business acquires used assets of a certain age, is it reasonable to expect that business to be able to provide out of revenue, during the remaining life of those assets, a replacement or new assets?—No. I think Mr. James agreed with me about that in some questions put to him.

4339. So that you say that depreciation charges, even if they were to be calculated on replacement costs, should only provide for a proportion of the cost of the new assets? I think he did agree with that?—Yes. I think the proportion corresponded to the proportion of the unexpired life since the date of acquisition.

4340. In normal commercial life when a purchaser purchases a business of that kind with assets that are already used to a large proportion of their useful life, what does he normally do? Does he make some calculation about how he is going to finance the replacement of those assets?—That is obviously a factor when he buys the business, how much new money he will have to put in to replace assets which will wear out over the next few years.

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4341. So he would not try and get that money by depreciation on a replacement-costs basis?—He cannot.

4342. He will try and get it by making arrangements at the time he purchases the business to provide for that in the future?—Yes, that is right.

4343. You show in your Table WHL 2 that by the end of 1954 the whole of the balance of £40.2m. had been expended; that is right, is it not?—Yes, it had been expended, and, presumably, partly on additions and improvements as well as replacements.

4344. In your view, is it reasonable that London Transport should now need to borrow money?—It is quite natural, yes.

4345. If that necessity had been avoided, would you say that there would have been an excessive degree of self-financing?—Yes, I think so.

4346. Would you turn to Mr. James's evidence which he gave about the capital expenditure in the years 1958 to 1963, amounting to £44m. I just remind you that it was broken down in this way: Railway rolling-stock, £24m.; buses in substitution for trolley-buses, £9.5m.; electricity supply £6m.; electrification and widening of the railway system £2.5m., and there was a balance of £1m.?—Yes.

4347. Dealing with electrification and widening of the Rickmansworth and Amersham lines, what do you say about that?—That is clearly expansion, I imagine. I think Mr. James agrees that that is something for which you would normally borrow.

4348. What about the other figures, the rolling-stock figure of £24m.?—The other figures are, of course, assets of the category we were talking about, part of whose lives had expired at Vesting Date.

4349. Taking the railway rolling-stock, we were given the depreciation life as 30 years, were we not?—Yes.

4350. Have you made the assumption—with which, I think, Mr. James agreed—that at Vesting Date two-thirds of the life of the railway rolling-stock had expired?—Yes.

4351. And assumed that that figure, which you put at two-thirds of £24m., that is to say £16m., should be raised by borrowing?—Yes.

4352. What about the trolley-buses? I think we put these figures to Mr. James and he agreed?—Yes. I have assumed four-ninths of the trolley-buses' life had expired.

4353. That is eight years out of 18?—Yes.

4354. You have assumed, therefore, that four-ninths of the figure of £9.5m. should be raised by borrowing?—Yes.

4355. Electricity supply: The depreciation of electricity supply was over 30 years on the average, and have you assumed that two-thirds of its life had expired at Vesting Date?—That is right.

4356. So you have taken two-thirds of the figure of £6m. as being suitably raised by borrowing?—Yes.

4357. That is £4m. Then for the electrification and widening you have taken the whole figure for the reasons you have just given?—Yes.

4358. So that on your estimate, out of the figure of £44m. to be raised between 1958 and 1963, I think the dates are, you would suggest that it would be quite proper to raise £27.5m. by borrowing?—At the very least, because, of course, one has to remember that a lot of the original £40m. has gone on expenditure which could

have been borrowed at that time. There has been a very conservative policy not borrowing anything up to now.

4359. What you mean is if they had not used that £40m. they would have it available now, and, therefore, it really would be reasonable, in your view, to borrow sums, so to speak, in substitution for the sums which would have been borrowed for the replacement of the £40m.?—Yes, that is right.

4360. Taking your figure of £27.5m., the balance of the programme would, of course, be the difference between £27.5m. and £44m. How would that be financed?—It would come pretty well entirely out of depreciation. The ordinary historical-cost depreciation is £3.7m. a year. I do not know whether one takes four or five years, but if you take even four years, that is £14.8m., and the Transport Commission are going to budget for a moderate surplus, and so it seems clear that the historical-cost depreciation, plus the surplus, would be adequate to finance these figures.

4361. Apart from those figures you mentioned, is there also the unexpended surplus to which we referred earlier of £7.3m.?—Yes. I do not know how much of that is left, and I am not taking too much account of that, because, I think, again, one must have a certain cash balance. It is there, but I do not want to take too much account of it.

4362. You are discounting that because some of it may have been spent in 1958 and, secondly, because there must be some cash surplus?—Yes.

4363. Even disregarding that, you say that the finance of the balance between £44m. and £27.5m. could be met by the small surplus together with the depreciation provision of £3.7m. per annum?—That is right.

(Mr. Grant): Those are the only questions I desire to ask Mr. Lawson, Sir.

(President): Mr. Fay, are you going to defer your cross-examination?

(Mr. Fay): If you are short of business, Sir, if you have nothing to go on with, I could start my cross-examination of Mr. Lawson, but I would wish not to complete it until I have had an opportunity of taking instructions and reading the Note. There is one sector of it which I feel quite happy to put to him now.

(President): You can take your own course. You are entitled to cross-examine today, and I shall not prevent you from cross-examining further on another day. Which would you prefer?

(Mr. Fay): I only suggested it because it is a question of filling out time.

(President): We seem to like wasting judicial time in this Court!

(Mr. Fay): I do not know what other business you have arranged, Sir.

(President): We have got to the stage where we cannot "arrange", we just come here and see who has dropped in. Is there anybody here who has a speech ready which they are ready to deliver? (No reply.) Mr. Fay, if you would prefer to get some of the cross-examination over now you can do so, if you prefer to do it all in one block after consultation with your technical advisers, you can do that.

(Mr. Fay): I would rather like to start on one matter which I can put to Mr. Lawson now.

(President): Very well.

Cross-examined by Mr. Fay.

4364. (Mr. Fay). I hope you have sufficiently recovered from your illness to be able to deal with cross-examination as well as examination-in-chief, Mr. Lawson?—I shall not know that until I hear the questions.

4365. What I want to ask you some questions about this morning is the question of historical-cost and replacement-cost depreciation. You have produced your Exhibit WHL 6 in which you flatter me greatly by taking my £1,000 bus and showing what happens?—Yes.

4366. As I understand it, you are saying this: The key to the solution of the problem is the fact that this is an organisation which wholly loan capital?—Yes.

4367. And keeping that in the forefront of one's mind, it must lead one to abandon any Replacement Reserve or replacement consideration?—That is right.

4368. Because the primary object is to preserve the capital which is loan capital in terms of money which is depreciated on the hypothesis that the pound is depreciating year by year?—That is one object of consideration.

4369. What other consideration moves you in attaching this importance to the loan capital?—The consideration that if you want to borrow to assist in providing the money for replacement you can do so in the knowledge that the total which you then borrowed, expressed in terms of

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real value, is no greater than it was when you bought your original assets.

4370. Because the currency is depreciating, you think it is right that the loan capital should gradually increase to keep pace, in effect, with the depreciation in the value of money?—Yes, I can see no harm in it.

4371. There is a statutory obligation to provide for the redemption of capital on the Commission; you know that?—Oh, yes, I know that. I have provided for it in my figures.

4372. But it looks as though Parliament did not contemplate that the loan capital should go on increasing in times of inflation, does it not?—I presume that Parliament did not contemplate that you were going to have this degree of inflation, otherwise they, presumably, would not have stuck the poor public with this type of Stock.

4373. Never mind the poor public—or, perhaps, the poor public, in your view, are the stockholders, are they?—In that context.

4374. That is rather what, I think, lies at the difference between us, Mr. Lawson. You see, the Commission have to approach the matter, or they do approach the matter, from the point of view that the public are the travellers?—I agree.

4375. You agree that is a permissible approach?—Of course. It is my approach.

4376. What I want to do is ask you to look at your Exhibit and your little Balance Sheets and follow me, if you would, into the effect upon the travelling public. I want to take your Example No. 2: That is historical-cost depreciation in times of rising prices, is it not?—Yes.

4377. That is, in fact, what the Commission are doing now and what they want to break away from; that is right, is it not?—Yes.

4378. You have been kind enough to think the simplified figures are useful, so would you help me by taking a very simple rate of interest and let us work out what it is that has to be provided in respect of this bus. In Year 1 there is loan capital of £1,000 invested in the bus, is there not?—Yes.

4379. If you would not mind taking interest at 5 per cent., because I can work it out, that means that the interest charged on that bus in Year 1 is £50; does it not?—I agree.

4380. The depreciation charged in that year will be £100, I take it?—Yes.

4381. So, in respect of the use of that piece of capital, the public have to provide £150 in that year?—Yes.

4382. You agree so far?—I think so, yes.

4383. And the sum of £150 has to be provided by the passengers during each of the ten years; that is right, is it not?—Yes.

4384. Year No. 10 it is still £150?—Yes.

4385. In Year 11 you got the new bus and, following the financing which you advocate, you have had to issue more Stock?—Yes.

4386. You have borrowed another £1,000?—Yes.

4387. So as from Year 11 the passengers have to provide as interest £100?—I agree.

4388. And as from the same year they have to provide depreciation £200?—That is right.

4389. Making a total of £300 in all?—I agree.

4390. That involves, does it not, that there is a sudden jump in what the public have to provide in order to supply this piece of capital for their use, a sudden jump at the moment when it is renewed?—Well, the suddenness is only due to the artificial nature of my example of taking one bus. Of course, in real life the thing is not sudden, because there is a certain amount of replacement going on all the time.

4391. Is that quite right? I will allow myself to be diverted on that: You are contemplating that the buses in a large fleet like London's fall due for replacement year by year and at a regular speed of replacement?—No, not necessarily evenly; but, broadly speaking, if you are not spending it on buses you will be spending it on something else. We have seen the programme for the next four or five years.

4392. And you have seen the programme for the last four or five years, have you not?—Yes, you spent very little.

4393. A fact which you have taken account of in WHL 1, but that is comment.

(President): Had we not better stick to this example? If Mr. Lawson's view depends on a concern which has more than one bus, no doubt we can have another paper, but the present paper is taking your single-bus business, and for the purpose of discussing the principle we had better stick to that.

4394. (Mr. Fay): I was deliberately following that avenue, because I wanted to put to Mr. Lawson that his hypothesis was wrong and it does not even out, it does produce some bulges. (To the Witness): But the facts are the facts, are they not, Mr. Lawson? We know what the replacement has been, and we know what it is going to be?—Yes.

4395. And there is a very great difference between the last five years and the next five years; that is right, is it not?—I imagine so.

4396. Which, in your view, will be reflected in a sudden increase in both interest charges and depreciation charges?—Yes, it will be.

4397. I want to compare with Example No. 2 your last example, No. 6, because that is switching from what has been done and what you say is right to what the Commission want to do. It is 100 per cent. loan capital and it is replacement-cost depreciation?—Yes.

4398. Could we do the same little sum: In the first year the passengers provide £15 interest?—Yes.

4399. I am not at all sure how much they provide by way of depreciation on this example, but, at any rate, by the time they get up to, say, the eighth, ninth and tenth years they are providing £200, are they not?—Yes, building up to £200 in the tenth year.

4400. So we will assume they started in year one with depreciation at £100, shall we?—I think so.

4401. Because that is when the bus was bought for that figure, so, presumably, that is its then current price. So you start off in Year 1 with the public providing £150, and then by the tenth year they are providing £250; is that right?—Yes.

4402. And in the eleventh year they get the new bus, there is no fresh borrowing and the new bus costs them the same sums, £50 interest and £200 depreciation?—That is right.

4403. There is a regular progression, in other words?—A progression starting earlier than it does under my system.

4404. And finishing up with the public paying £250 instead of £300 in your example?—Yes, I agree, paying slightly less.

4405. So the public in the future will be paying less and the public of the present day will be paying a little more?—Paying a great deal more.

4406. It all comes out in the wash, does it not?—No, it does not, in my view. I cannot accept that it comes out in the wash.

4407. Perhaps you will explain why it does not?—You start at an earlier stage, but you never catch up again, you never reduce the amount.

4408. It does not mean that at the end of the day, at the last trumpet call when you can wind up, the public will have paid more?—Of course it does.

4409. Surely not?—It does, I am sorry.

4410. Would you like to explain how that comes about?—Because you start at an earlier date and you can never reduce. Unless the level of prices is reduced you never reduce; you are building up and you never reduce. You are starting at an earlier date, and therefore in total you are providing more. You never catch up.

4411. You are providing more because you are looking ahead and you are saying to yourself: "Costs are rising"?—But you are starting at an earlier date.

4412. And if you stop and take stock at the moment when you have bought your new bus?—?—You never get back; you never reduce to the extent that you have



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increased. In your example here the £1,000 extra depreciation which has been charged in the first ten years will never come back again, you never reduce prices by that amount.

4413. I am not suggesting you would, but the public have been using a bus which has been appreciating to the present day?—They have been using it, but so have they under the other system.

4414. The answer to the question between us is this, is it not: Should the public, who wear out the bus by running up and down the stairs, pay for that wear which they are effecting at the old rate or the new? That is the question, is it not?—As to which I answer that they should not have to pay for it at the new rate if there is an offsetting relief in real terms to the Commission by a reduction of the Loan Stock due to inflation. The high price of the assets is due to inflation and the lower burden of the Loan Stock is also due to inflation, and one offsets the other.

4415. What you are saying is that you are regarding, primarily, the fact that it is loan capital and not share capital?—Certainly.

4416. So that if you were giving evidence before the Traffic Commissioners in the case of a Provincial bus company with a share capital, your evidence would be different?—It would have to be, because the shareholder is entitled, under those conditions, to expect that his capital will be maintained in real terms, but these loan-holders cannot be so maintained.

4417. That is because you are putting in the forefront of your mind the question of who owns the capital?—I am bound to put it in the forefront of my mind.

4418. May be you are, but I suggest to you that it is perfectly permissible for the Commission to put the passengers in the forefront of their minds, provided they make sure they are able to service their loans?—I accept that you should have the passengers in mind, but I still cannot understand how it is going to help the passengers to put their fares up earlier than you would put them up under historical-cost depreciation. How are they helped by an earlier increase in fares?

4419. Because they are paying for what they are wearing out. Is that not the answer?—You may say that is their duty, but I do not see how they are gaining or how they are helped by it. Are they merely helped in the sense of self-righteousness, or what?

4420. They are helped in this sense, are they not, that they are not casting upon the passengers in Year 11 the burden of finding an additional £50?—They are not under my scheme, surely.

4421. I thought we had decided that under your scheme the passengers in Year 11 would have to pay £300, whereas under this proposal they will have to pay £250?—Yes, I am sorry, I did not follow the question.

I accept that they have to pay £50 more, but it is nothing like as much as to offset the higher price they have paid in the meantime under your scheme. They are much better off.

4422. They are much better off paying more?—Much better off paying more later. May I put it in this way: They are better off by paying more in ten years' time than they are by starting with this depreciation figure earlier, the depreciation figure being much more than the increased figures I adopt. Also there will be a good chance that, through the technological developments which are being introduced, they will not have to pay more at all, because by the time they come to buy the new bus and pay the increased price when the bus is renewed, that bus is probably a bus which has a much longer life, because we know that buses are having longer lives, and therefore, the depreciation charge would be less. The bus is probably more efficient in operation, and generally the cost would be down. So that it may never be necessary to put up the price as much as it is on the basis of this calculation.

4423. It is not beyond the wit of accountants, is it, to separate the pure replacement value of the new improved asset from its developed value or improvement value?—It is very difficult.

4424. It is a matter which I do not think was put to Mr. James, but to which he would have an answer if it were put to him. Would you take it from me that London Transport has dissected its replacement costs into that

which is pure replacement and that which is improvement?—I do not understand how they would deal with the situation of the replacement of a bus which has a life of 15 years and a bus which has a life of 25 years.

4425. I am putting it to you that in many cases you replace an asset by an improved asset?—Of course.

4426. Your Tube cars on the Piccadilly Line may hold more passengers, and therefore they have a greater earning capacity?—Yes.

4427. And it is not beyond the wit of accountants, is it, to apportion the price of a new car between that which is the true replacement of the old and that which is an improvement of the old asset?—I had two types of improvement in mind; the first is improvement in consumption of fuel, and the other an increase of the length of life. That is more difficult to dissect.

4428. But the reduction of consumption of fuel is an assumption that the net revenue position will be improved in future?—Yes.

4429. That is another matter which was not put to my witnesses, and on which I may have to recall them. But that does not affect the matter, does it?—It does to this extent: It gives the present travelling public a sporting chance that their prices will never have to go up to the extent of this £50 that you are worrying about: by that time the new developments may off-set the £50.

4430. You do not believe that for one minute as regards the £44m. that is about to be spent, do you?—I most certainly do. My information is that the new buses that are going to be acquired in replacement of the trolley-buses are going to have a far longer life than the buses at present on the road. I may be wrong, but that is what I have been told.

4431. Forgive me if I say: So what?—If I may answer that "So what?" the depreciation in my example, instead of being £200 a year, may still be only £150, for the reason that the life is longer, and the annual depreciation is smaller.

4432. But the advance in prices are too great at the moment to stand that sort of test, are they not?—I doubt it. The Electricity Industry have recently issued a pamphlet in which they claim that the cost per kilowatt of power in the power stations of to-day is no greater than it was in 1948, despite the tremendous rise in prices. What is more, it is vastly more efficient; it takes 1 lb. of coal instead of 1½ lbs. to produce 1 kilowatt—the results are quite fantastic.

4433. Yes, but you are in the position of being a member of a Board of a nationalised industry which is expanding?—It is also acting extremely efficiently.

4434. I am sure it is, and I hope you would concede that the Transport Industry is acting efficiently?—I do not know enough about it.

4435. But you are in the happy position of being in an expanding industry?—Yes.

4436. And transport is not?—No; I agree.

4437. But you have heard about the Tube rolling-stock; that is the bulk of the replacement programme in terms of money. It is pre-war stock, is it not?—I suppose so.

4438. And the difference between the replacement stock and the existing stock is vast: I have not the comparative costs in mind, but no doubt you can pick them out of the transcripts?—I would accept that.

4439. You do not suggest that the new stock would have such a life that the historical cost depreciation of the new rolling-stock would be no more than the old?—No.

4440. I thought that was what you were stating?—No. I said that the reduction might be sufficient to off-set the interest charge; I never said more than that. If I may get this quite clear, my objection to the replacement cost of depreciation in the interest of the passengers is that you are supporting the charging of higher depreciation, and therefore higher overheads, at an earlier date. You are building up a figure that we both agree has to be charged when the asset is replaced; you are saying against me, and you are entitled to do so, that when you come to replace under my basis, you have to find a certain amount more for interest in respect of that.

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What I am saying is that if you delay that, the chance is that that interest may be off-set by these technological improvements; I am not saying more than that. If it is off-set, it is quite clear for everyone to see that the public are much better off; they have a delay in the increased costs, and no higher costs even after the delay.

(President): Mr. Fay, these examples, and your questions, are put on the footing that at the end of the life of the asset, which is to have another asset put in its place, prices will remain stable as at that date?

4441. (Mr. Fay): Yes, I think so, Sir; I think that is the assumption on which we are proceeding here. But if prices are not stable at that date, but continue to rise—and there is certainly no prospect of the reverse process—that makes my argument all the stronger. (To the Witness): That is right, is it not, Mr. Lawson?—If prices continue to rise; I think your case is stronger if you assume a perpetual rise in prices. I think I would accept that it gives you a slightly better argument.

4442. If the question comes down to whether the passenger of to-day who is wearing out the bus should pay on to-morrow's scale or on yesterday's scale of prices, it is really a social question and not an accountancy problem, is it not?—I do not know.

(President): The contrast is not between his paying his share of the bus at yesterday's prices or to-morrow's prices, but whether he should pay on to-day's prices, is it not?

4443. (Mr. Fay): Yes, Sir, at to-day's equivalent; one never catches up. Obviously, in times of rising prices, one always has to raise some of the new cost by borrowing. (To the Witness): Would you agree that at any rate to some minds it is capable of being thought of as a social rather than an accountancy problem?—I should have thought that it was an accountancy and economic problem rather than a social problem.

4444. You see, that is what the Herbert Committee seemed to think, did they not? It is on page 87 of the Report. I see that your Board gave evidence before the Herbert Committee?—Yes.

4445. Were you one of the delegates?—No.

4446. But you did say, did you not, about this Committee that they can never have considered the fact that the capital was loan capital at all?—I am sure they did not.

4447. And you think that was an oversight which was to be deplored?—Yes.

4448. Do you think they might have considered it, and put it aside as irrelevant?—That is quite impossible.

4449. And you really say that the bearing of it upon the problem completely escaped them?—I am sure it did.

4450. You will not perhaps be disappointed if it goes on escaping some of us?—I shall be very disappointed; it does not escape accountants.

4451. I am looking at the members of the Committee. I see it included Mr. Robson; I dare say you know him?—Yes. It escaped him all right.

4452. He has been a member of the Council of your Institute for a great many years, has he not?—Yes, he has.

4453. It went through the slips with Mr. Robson. Sir Edwin Herbert no doubt has gathered a good deal of information about accountancy from year to year, has he not?—Yes. He and I differed violently on this point.

4454. Let us see what the Committee, which was unanimous—

4455. (President): I hope nothing we say will exacerbate that quarrel, Mr. Lawson?—It is a very difficult position; I am on a Royal Commission with Sir Edwin Herbert at the moment.

4456. (Mr. Fay) (To the Witness): I can assure you that I will not cause you the slightest embarrassment. Now I want to ask you about paragraph 331; that says: "There has been much dispute in industrial and accounting circles as to whether, in a period of inflation, the difference between a depreciation charge based on 'replacement cost' and one based on 'historical cost' should be shown in a company's accounts before arriving at a figure for profit or whether that difference should be shown

as an appropriation of profit. In industries where prices result from a process of competition between firms the calculation of depreciation is primarily a matter of financial policy concerning the disposal of the revenue of the business, e.g. the amounts that should be kept for the replacement of assets, reserves and carry-forward or used for dividends". Pausing there, do you agree that the use of the word "dividends" implies that the Committee had in mind that there might be some organisations with share capital concerned in this problem?—Yes.

4457. Then they go on: "The depreciation calculation is not in such cases a direct determinant of prices. In the case of a State-owned monopoly, however, on which competitive forces do not operate strongly, prices must be determined by a process of calculated assessment". They are offering a contrast, are they not, between the kind of business which declares dividends and a State-owned monopoly?—Yes.

4458. Do you really seriously say that they do not address their minds to the fact that State-owned corporations have loan capital and not share capital?—I am sure they did not appreciate its significance, or they would have been bound to refer to it.

4459. But they are bound to have known it as a fact?—Yes.

4460. But you say they did not appreciate its significance?—That is so.

4461. "It seems to us", the report goes on, "that a proper element in arriving at these prices is the cost of the resources used up in the process of manufacturing and delivering the product—in this case electric power". Would you agree with that proposition?—It depends upon what it means by "cost".

4462. They go on to deal with the way in which they look at costs, but pausing there, you would not disagree, begging the question of what test you apply to costs, that it is a proper element to consider in arriving at prices in the case of a monopoly?—I am not at all happy about the expression: "the cost of the resource used up in the process of manufacturing and delivering the product". That is not what happens in real life, and accountancy practice is not based upon it.

4463. One of the items which are charged against revenue in accounts is surely depreciation?—No, and I have explained in my notes the basis of that. The basis of the depreciation charges is that you incur certain expenditure on capital account and can write that expenditure off over the life of the asset; you do not say every time somebody runs up the steps of a bus that he is consuming some part of the bus.

4464. You do not, but I suggest that that is a permissible way of looking at it?—If you are asking if I agree, I do not think it is a satisfactory way of looking at it.

4465. If one is going to cost an article, do you say that it is permissible to take depreciation into account?—Certainly.

4466. And that is all the Herbert Committee is saying?—No.

4467. It says that in the case of a State-owned monopoly the way in which the price must be arrived at is by a costing process, and that is one of the elements?—They talk about the cost of the resources used up in the process—well; I do not know.

4468. Is not the bus being "used up" by being run until it can be run no longer?—Not really. In these days you replace your bits and pieces, but eventually you are going to have a bus which is obsolete. Then you have "spent" your whole bus, but it does not really wear out year by year.

4469. But it reaches the end of its useful life?—Yes.

4470. Not only through obsolescence, but also through inability to run any further without excessive maintenance?—Yes, but with most assets obsolescence is more important than depreciation really.

4471. I was tempted to put to you what is happening to some of the Tube trains which have outlived their useful life and have led to these sit-down strikes when they break down, but perhaps that is another byway. Then the Herbert Committee report goes on—and this is the important part of the passage: "It also seems to us that this

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cost should reflect current price levels rather than those ruling at the time when the plant was originally installed". That is a clear expression of view, is it not?—Yes.

4472. And you totally disagree with it?—I do not agree with it, but, on the other hand, it does not affect my argument, because I would agree that a calculation of this kind is reasonable in the case of a business which is financed by share capital. That does not really affect my answer.

4473. But even the Herbert Committee knew, did it not, that the Electricity Industry was not financed by share capital?—They did, but they did not appreciate the effect.

4474. Then it goes on: "The requirements of Section 36 (1) of the Electricity Act, 1947, that combined revenues should not be less than sufficient to meet combined outgoings chargeable to revenue account, taking one year with another, do not conflict, in our view, with this approach". I suggest to you that they have expressed there a clear statement of opinion in favour of making provision for depreciation on a replacement basis?—Oh, yes, and they wanted it written into the accounts.

4475. And you think it is entirely wrong?—Yes.

4476. If it were the case of a company with a share capital, that would be all right?—Yes.

4477. And coming back to my provincial bus company, you would agree that it is all right in that case?—I do not know; do you mean a privately-owned company?

4478. I am talking about a bus company, the capital of which is share capital?—Owned by whom?

4479. Never mind. Just take a bus company operated under conditions of practical monopoly—these are practical examples in the provinces—a limited company with share capital?—Owned by the public?

4480. Do you draw a distinction?—I draw distinction between capital owned by the Transport Commission, which is financed by a loan account; to that extent I would draw a distinction.

4481. So when you have, in adjoining districts in the provinces, a bus company wholly owned by the Commission, and another bus company the shares of which are not owned by the Commission, you would say that different considerations apply to those two companies?—They might; I do not know whether that arises.

4482. I thought it followed from your viewpoint. So the fare level in the area served by the Commission-owned company would have to be that much different from the fare level in the adjoining county where the capitalistically owned company was operating, because of the difference in the yield required for depreciation; is that what you say?—Yes; they would adjust presumably on some sort of basis—

4483. Can you see any logical reason for having to reach that result?—Yes—not in the particular case that you have mentioned; I can see in London that it is not so in different areas in London.

4484. You think the difficulty does not arise in the case of a company with share capital, if that share capital is in turn owned by the Commission?—No, I do not think it would arise; the Commission in financed by loan capital.

4485. (President): But so long as it exists, one has to treat it as a separate entity, has one not?—I would not have thought so, but I would not press it. I would not have thought so myself.

4486. It has to be treated as a separate entity for a large number of important purposes, has it not?—Yes.

4487. Do you only draw a distinction in the case of the bus company which is wholly owned by the Transport Commission and not in the case of one in which they have a predominant, but not an entire, ownership of the share capital?—Let me put it this way, Sir. I think if you formed London Transport into a separate company, I would not regard that as affecting my views on this problem merely because you formed it into a separate company.

4488. I do not think I have made my question clear to you. I thought you were saying that you would regard a bus company, all the shares in which are owned by the Transport Commission, as being in a different position

from a bus company in which the shares were not owned by the Commission?—Yes.

4489. What I was asking you was: Where would you put the bus company in which the Transport Commission held, say, 50 per cent. of the shares?—I would have to put that in the share capital.

4490. It is only if it is a wholly-owned subsidiary?—Yes, I think so.

4491. And therefore it does not depend on the extent of the control over the company?—It depends on the way in which the finance is being provided; that is important.

4492. (Mr. Fay): If I were to pursue you into the world of provincial buses, I dare say that that would be unfamiliar ground to you?—Quite unfamiliar.

4493. I do not want to pursue a line which is not helpful to you, but I should perhaps put it to you because of the fact that the Minister of Transport in giving his decision on this matter of principle in the Western Welsh case did say, as regards a number of large bus companies, some of which were wholly owned and some of which were not owned by the Commission, that he drew no distinction. You have seen references to the Western Welsh decision in this case, have you not?—Yes.

4494. But I dare say you think the Minister was misguided?—I do not know. It is very difficult when you put to me the case of a provincial bus service when one is operating alongside the other. I would not like to say off-hand that the Minister was misguided; I do not know enough about it.

4495. I did not postulate that they were operating in competition, but that they were operating in adjacent areas?—Yes, but even so, if the rates are very much lower in an adjacent area than they are in another area, it would cause comment. It would not be fair to ask me to express an opinion on the Minister's decision without knowing very much about it; I have only studied London.

4496. But coming back to electricity, with which you are familiar, I take it that it is your view that since your industry is financed by loan capital, there should be no provision made for replacement at enhanced prices?—Not as such, no; there is no such provision made in my Board.

4497. Are you quite sure?—No, certainly not.

4498. Not indirectly?—What do you mean?

4499. It is part of the process of self-financing, is it not?—If you like; it is self-financing, of course.

4500. Do you agree that there is a place for self-financing in a nationalised industry?—Certainly.

4501. And if the industry is going to make savings year by year which it applies to capital purposes, one of the capital purposes is bound to be replacement of assets, is it not?—Yes.

4502. And you think it is proper if it is labelled "Self-financing"?—I think each industry according to the circumstances and requirements has to indulge in a certain amount of self-financing. I have already agreed this morning, I think, that £1m. a year would be reasonable self-financing in London Transport.

4503. Your industry provides a very high degree of self-financing, does it not?—A lot of people want it to provide more; it is not very high.

4504. (President): I suppose the present-day consumers would like you to provide less?—Yes, they might do. The price of electricity is very cheap; the problem in that industry is very different from the problem you have here, particularly because, as Mr. Fay has said, it is a rapidly expanding industry, and prices are now only about 40 per cent. above pre-war prices.

4505. (Mr. Fay): That is because of its load factor, is it not?—Yes. I think it would be wrong to take comparisons between the Electricity Authority and this case.

4506. We start with this, do we not, that the two industries have a very similar statutory framework, if we compare them?—Yes.

4507. They are not identical; you have your local autonomous Boards?—Yes.

4508. And they are still more autonomous since the end of 1957; that was the date, was it not?—Yes.



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4509. But the statutory requirements about general reserve and about meeting outgoings, taking one year with another, are identical in your industry with the requirements under the Transport Act?—Curiously enough, it has been interpreted differently in our industry; we have not provided for reduction of loan as well as depreciation.

4510. I may have to put questions to you at some stage about that, but still dealing with what we are on, replacements, there is a very high degree of self-financing in your industry, is there not?—I do not think it is very high—it is not; but there is some.

4511. What percentage of capital requirements do you call high; would you regard it as proper to meet half your capital requirements out of self-financing?—It would be proper, but I do not think we get as high as that.

4512. You regard that as high?—No; it is fairly good, I think.

4513. In point of fact you meet either 46 per cent. or 48 per cent. according to which accounting process is applied?—I do not know.

4514. I expect you read the Debate in the House on the Electricity Bill last month?—No, I did not.

4515. May I hand you a copy of Hansard for the 20th January, 1959; at column 53 Mr. Mauding, the Paymaster-General, who was in charge of the Bill, said—actually it is in column 54, and I want to know whether you agree: "Self-finance is a very important matter. Assuming that the industry is right in planning to expend large sums of money in new generating plant and new distribution plant, what percentage of that money should be raised internally and what percentage should be borrowed from the public or the Government?" Pausing there, that is the problem we have here, is it not?—Yes.

4516. *Pari passu* with the Transport industry. He goes on: "The industry has had a good record over the last ten years"—I would remind you here that we are talking of your industry, not mine?—It is not my industry; I am only a very humble member of one Board.

4517. "The percentage of capital outlay which it has financed from internal savings has been rising. The average percentage over the last ten years has been 33 per cent. and the estimate over the next seven years is 46 per cent. The Electricity Council's figure of 48 per cent. is based on a certain difference in accountancy principles and there are strong arguments for it. However, the more austere, although not necessarily more correct, figure is 46 per cent. That is a big increase in the total amount of internal financing and the proportion is now fairly high". I take it that those figures are in accordance with your knowledge of the electricity industry?—Without checking them I cannot tell you.

4518. Very well; if you find there is a slip, no doubt you will let us know. But that is spoken of as being something desirable by the Government, which is, of course, one of the sources of borrowing, if you do not supply internal finance?—Yes.

4519. That is one of the points you were making this morning?—Yes; in the end it is a political decision.

4520. Let us look at what the political decision looks like in your industry: "It is not at all easy to decide the principles on which a publicly-owned industry should determine the amount of its expansion which should be financed from internal sources. This matter was discussed at great length by the Herbert Committee, which concluded that in principle the industry was working on the right lines and that, in practice, it was following those principles". This is the important paragraph; it comes next: "Technically speaking, the industry provides its depreciation on an historic cost basis, but it takes out special reserve reserves in order to increase that, so that by and large the industry is financing its replacement costs out of revenue". That is what the Government say about the electricity industry?—Put like that, I am not sure that I would agree. The Central Authority makes a special reserve of £10m. a year, which is roughly one-sixth of the total depreciation charge in the industry.

4521. I will not quarrel with whether Mr. Mauding has exaggerated the totality of the provision, but by and large that is precisely what we are asking to be allowed to do here, is it not—to finance replacement costs out of revenue?—Yes.

4522. And that is what it is said in Parliament is being done, and admirably done, by the electricity industry. It goes on: "In other words, by and large it is providing and setting aside enough out of its revenues to keep in existence and at full efficiency the amount of generating capacity which it has at any given moment". Do you agree with that?—I think it is probably correct. As I have said earlier, the figures are very small; the amount of the addition for replacement costs in the electricity industry is relatively small over the historical cost figure already provided. It is a very different set of figures that we are dealing with.

4523. But if that is the true picture, I gather that it does not meet with your approval?—I do not disagree with it.

4524. But what has happened to the loan capital? I thought that because it was loan capital and not share capital, you thought it was the wrong principle to adopt?—It is the wrong principle to provide for replacement, but you can have a certain amount of self-financing; that is Government policy.

4525. (President): Is it a matter of terms whether we call it "replacement" or "sums reserved out of earnings for self-financing in the future"?—They happen to be the same thing in the electricity industry. The figure is very small; that would not necessarily be the same thing here.

4526. It is only a little sin?—It is a very big sin here, and a very big sum of money for which they are asking.

4527. (Mr. Fay): The Paymaster-General goes on to refer to the fact that in the case of your industry it may be expensive to go too far, because you are in the happy position of paying income tax?—I do not think we do pay income tax in fact.

4528. Perhaps I had better read what he says. It is right, is it not, that the Inland Revenue Authorities allow for historic-cost depreciation as a charge in arriving at the net profit for tax, but not replacement depreciation?—That is right.

4529. So that if you do provide replacement reserve and you are taxable, you have to provide it out of your taxed revenue?—Yes.

4530. What is said in the House is this: Following on from the reference to the industry setting aside enough out of its revenues to keep in existence and at full efficiency the amount of generating capacity, Mr. Mauding goes on: "Over and above that, it may be making some small provisions, once again in line with the principles of the Herbert Committee. Compared with other nationalised industries, the electricity industry can claim a good record in providing from its own revenues enough for full replacement of its plant. To go further than that would give rise to many difficulties. Any revenue the industry earns over and above its depreciation provisions is subject to tax, as is the revenue earned by any private business. Therefore, any amount ploughed back into expansion as such would be after the deduction of tax". So he is saying that that is one ground for calling a halt at some stage, because it may be too expensive to set this reserve aside—too expensive in terms of taxation?—That is what he is saying.

4531. Whether that yet applies to electricity—and you say you do not think it does—it certainly does not apply to the Transport Commission?—No.

4532. It will be a good many years, will it not, before income tax is payable by the Transport Commission?—Yes; I do not think it applies to the electricity industry.

(Mr. Fay): I am surprised to hear you say so. That was all I wanted to put to Mr. Lawson for the moment, Sir, if I may have your permission to resume my cross-examination on other matters when I have more fully informed myself of them.

4533. (President): When is Mr. MacKenna likely to be available again—and also Mr. Lawson? I suppose you are now going back to bed, Mr. Lawson?—No, Sir; I feel like doing so after Mr. Fay's efforts, but I am available at any time.

4534. (President): Because if you have any fixed engagements with other bodies, we should try to elude them?—I can come tomorrow, but it would be convenient if I knew when.

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Mr. WILLIAM HALFORD LAWSON

[Continued]

(Mr. Fay): Mr. Hill is coming tomorrow.

(President): Very well; Mr. Lawson will be told when to come.

(Mr. Fay): I shall not see today's transcript until tomorrow morning, Sir; tomorrow is Wednesday. Thursday would be quite convenient.

4535. (President): Would Thursday be convenient to you, Mr. Lawson?—Certainly, Sir.

(President): Then let us fix it for Thursday.

(Mr. MacKenna): After that we shall have the chance of addressing you, Sir?

(President): Certainly; I am bracing myself for it. The only point about fixing time after that is whether people want a day or two before drawing up their orations in order to study the cumulative effect of the evidence on both sides.

(Mr. MacKenna): It would be a convenience if I could address you for a short time this week, Sir.

(President): Then if Mr. Lawson's cross-examination has been completed on Thursday, would you be prepared to make your speech on Friday?

(Mr. MacKenna): Certainly, Sir.

(President): Then we shall sit on Friday. How long are you likely to be?

(Mr. MacKenna): About an hour, Sir.

(President): Then we shall sit on Friday, and we shall hope to be able to induce some other orators to address us on that day.

(Mr. Noakes): Having regard to your last observation, Sir, I as a humble orator would be ready to address you at any moment convenient to the Tribunal.

(President): Very well; you shall do so after the adjournment.

(Adjourned for a short time.)

(President): When we were talking about our future arrangements before lunch we omitted to ask when Sir Edward Milner Holland is going to address us. Do you know anything about his arrangements, Mr. Mercer?

(Mr. Mercer): As I understand them, Sir, he is not really expecting to be free until early next week.

(President): You mean he is engaged elsewhere?

(Mr. Mercer): Yes, Sir, so I understand. I do not know what the last minute arrangements were so far as he was concerned, but as far as I have understood his arrangements, he would be available next week.

(President): Would it be possible for you now to try and get us the latest possible information? We have Mr. Hill returning tomorrow.

(Mr. Fay): It might be convenient if I were to say that I cannot conceive that my cross-examination of Mr. Hill will go beyond the adjournment tomorrow, and it may fall far short of that, so in any case there will be tomorrow afternoon for someone's oration. The same would apply to Thursday; it might be that I should not go beyond the adjournment with Mr. Lawson, although I might be a little longer with him than I shall be with Mr. Hill. But I certainly envisage that there will be a certain amount of free time on both those days for speeches.

(President): Mr. Rippon is not here?

(Mr. Mercer): I can certainly ascertain what Sir Edward Milner Holland's movements are before we adjourn today, Sir.

(President): Would you do that; it is a little inconvenient for us only to sit for half a day, and it is also expensive.

(Mr. Mercer): Of course, Sir Edward understood that Mr. Hill would be cross-examined tomorrow and he no doubt had in mind the fact that the Inquiry would continue this week. But I will make sure of what his arrangements are, Sir.

(President): Is there anybody else here now who wants to address us? We know about you, Mr. Noakes.

(Mr. Noakes): Yes, Sir; I presumed you meant following me.

(President): Yes, and Mr. Wellum is coming. Mr. Grant, you will have to address us on behalf of Beckenham?

(Mr. Grant): Yes, Sir.

(President): When are you prepared to do that?

(Mr. Grant): I would like to do it after Mr. Hill has been cross-examined. My interest is solely with London Lines.

(President): Supposing Mr. Hill's cross-examination is finished either by the adjournment or shortly after the adjournment tomorrow, are you prepared to make your address then?

(Mr. Grant): Probably, Sir, although I am not quite certain how the cross-examination would affect his evidence.

(President): Would you prefer to make it Thursday?

(Mr. Grant): If you please, Sir.

(President): Then we will note that and hear you after Mr. Lawson's cross-examination and re-examination.

(Mr. Grant): If you please, Sir.

(Mr. Noakes): If you please, Sir; as you know, I appear on behalf of the Corporation of Hastings and as I indicated to you the other day, I do not propose to call any evidence to put forward for your consideration the view of the Corporation on these proposals, as they have now been more fully explained and examined before you. Of course, I am only concerned with that part of the scheme which refers to outside London.

Dealing firstly with the Objection of the Hastings Corporation, you will see that it is in the widest and most general terms; it might be thought to be an absolute Objection to everything in the scheme. But having had fully explanations, it may well be that many people will have come to the conclusion that some increase in fares is justifiable, although not perhaps to the extent which is asked for by the Commission.

(President): You mean increase in maxima, do you not, Mr. Noakes?

(Mr. Noakes): Yes, Sir. I am asked to put this representation before the Tribunal, that the difficulty is that when this scheme first came to the notice of the Corporation and showed an increase in the maximum of 50 per cent. for a town which depends largely both on holiday traffic and which also has a good number of season ticket holders, a possible increase of 50 per cent.—or indeed any substantial increase—was somewhat appalling and therefore the Corporation would have desired as a responsible body to have been a little more fully acquainted with the reasons of the Commission for making those proposals.

I quite appreciate that this Tribunal governs what can be done by the Commission, but I am asked to put before you here for the consideration of the Commission, as has been hinted at before now in cross-examination of Sir Reginald Wilson, that if and when any future consideration arises, apart from a Press Conference as was held in this case on the very day when the scheme was lodged, if some further and somewhat more detailed information could be given to responsible bodies to make enquiries of that nature, in the first place a good deal of time and thought might be saved and secondly there might be saved some more of the goodwill on which Sir Reginald Wilson laid such stress and which I think he said, in one part of his evidence, always suffers during the course of these inquiries.

Unfortunately, in the present case—it may be that the Commission could not help themselves—an enquiry from the Town Clerk of Hastings brought the answer that no information was available, and I commend for their consideration that if and when any future inquiries should take place, possibly they may seek, under your guidance and with your approval, to make available to the responsible Objectors some further and fuller information.

The Hastings Corporation, of course, are principally concerned, so far as the proposals for increases are concerned, in the proposals for the increase of the ordinary fares and of the season ticket rates, and one matter that strikes the Corporation forcibly in connection with those proposals for a maximum increase of 50 per cent., which the Commission say they may or may not in any particular case impose, is the uncertainty of the matter. I would

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refer again to a passage in Sir Reginald Wilson's evidence which I think was when Mr. Rippon was cross-examining him on the Sixth Day on Page 126 of the Proceedings, when I think he was referring to what happened in the case of the Scottish Bus Company.

It is Question 1274, and he said this: "Let us take the position of the Scottish Bus Group. In the affairs of the Scottish Bus Group we decide what is to be done, we take our courage in both hands and we do it, and the fares are raised. That is not popular, there is, if you like, a loss of goodwill, but it is only temporary, because we run the business properly, we keep services of a good quality going, people know we are running them pretty well, and, curiously enough, the fact that there is a profit seems to reassure them that they are being run well."

Leaving aside perhaps the latter part of the sentence as regards the railways, what strikes the Corporation of Hastings very forcibly is that here the Commission are not giving that sense of certainty to the travellers, or potential travellers, on the railway, saying: "We have to put your fares up to such-and-such a rate." There they are leaving the potential travellers in a state of complete uncertainty, not knowing whether at any moment they may find their fares put up to the highest point allowed by the Tribunal, and the Corporation of Hastings feels that that is a serious disadvantage of the scheme as now proposed.

The Corporation regard it particularly as such in the light of their peculiar circumstances. They are to an extent a dormitory town, but a dormitory town at a good distance from London. We have heard the figure of 82 miles; I think that is the mileage if one goes on the Victoria Line, there being two lines to Hastings, and when one looks to see the sort of effect it makes, the season ticket rate being under the present scheme some £26 a quarter or £104 a year, one finds that under the new scheme there is a maximum of some £39 per quarter, or £153. 16s. a year, which may be a very serious matter for persons proposing to live at Hastings. If they think that Hastings may not have this maximum imposed, then they are taking the risk; if they migrate to Hastings to live there and come up to town every day and they have that over their heads at any time after the scheme is sanctioned by the Tribunal, that will be hanging over their heads, and the Corporation would submit that it is better that persons should know that there may be in the reasonable future some increase in fares but not the possibility that Hastings may be selected as one of those places where the whole 50 per cent. might descend—that is, as it were, really coming into effect if it is applied commercially and economically, as seemed to be indicated by Sir Reginald Wilson; that if the Hastings Corporation make their town popular, as a popular place for persons to go and reside and come up to London backwards and forwards each day, that seems to increase the possibility that that may be just one of the places where the full increase may be imposed because when one has a distance of 82 miles of travelling in each direction, in practice nothing else but a train journey is a possible method of making a journey day in and day out for most people.

(President): You are not suggesting, are you, Mr. Noakes, that there should be separate provisions in the scheme for the protection of Hastings or for any other town?

(Mr. Noakes): No, Sir; I am only interested in Hastings. I am taking that as an example and I cannot say, for example, what are the views of other persons who will put them before you.

(President): But let me understand what you are saying. Are you saying that the maxima should be lower so that the area of uncertainty is smaller, or are you saying that Hastings would like to know now what they are going to be charged in future?

(Mr. Noakes): One or the other, Sir. On this branch of the case if Hastings knows that it is likely within 12 months to have the maximum of 50 per cent. put on its fares it knows where it is, and persons who might be inclined to come to live there—I am speaking at the moment of season ticket holders—will know where they stand.

(President): Is not that saying that at any rate from the point of view of Hastings it would be desirable that the Transport Commission should here and now, before

we leave this matter, tell us what they think in their commercial judgment they are likely to do in the next 12 months?

(Mr. Noakes): If they would do so, if the scheme is otherwise sanctioned by the Tribunal, it might do something to alleviate the fears of the Corporation and those persons who now reside there or who may wish to reside there.

(President): If they did that they would have to make an equally competent prophecy on every point on their line.

(Mr. Noakes): I appreciate that that is an impractical matter. That is why the only other alternative I suggest is that there should not be a maximum headroom of 50 per cent., but something much less—something which is much more, shall we say, in conformity with what one might expect to be the necessary increase in accordance with what is desirable at the present time, without leaving that headroom for the selection of Hastings or some other greater or lesser number of places as being the points on which the full force of the case may fall.

I appreciate, Sir, that it is quite impossible for the Commission to say with any great certainty what they will do in their commercial judgment; that may vary in another six months' time and as I apprehend it is for you at this Tribunal in some way to determine the limit within which that commercial judgment may be exercised. That finishes what I wanted to say with regard to the season ticket holders, Sir.

As regard that class of person that uses the ordinary tickets backwards and forwards, looking at it fairly so far as holiday-makers are concerned, coming down for a week or a fortnight or something like that, the view of the Corporation is that if fares become very high it may well be that less people will come from the Midlands and the North of England, but *vice versa* that may be compensated for by more people coming from the nearer parts of England, in the south, because they will not be able to afford the further distances. Therefore I need not address you on that aspect of the matter, but there is also the point of view of those persons who live in Hastings and perhaps come to London once or twice a week, but not sufficiently often to warrant the use of a season ticket. Here again the increase, if given, is to be a very substantial one and the same point applies; the full force is to fall upon Hastings.

As far as day trippers are concerned, again Hastings, like a number of other resorts on the South Coast, claims a good deal of trade from day trippers and the Corporation is naturally anxious to encourage such persons and to see them there in Hastings—persons who come for the day.

(President): But they are mostly coming on concessional fares nowadays on some days of the week, are they not?

(Mr. Noakes): Yes, Sir; I must not give evidence, but I could say—

(President): We all see the posters, Mr. Noakes, and we are not supposed to be as blind and deaf as ordinary judges have to pretend they are.

(Mr. Noakes): I pay tribute to the Commission in this respect, that one direct route to Hastings is 62 miles and the other route, on which they take you into Eastbourne and out again on the electric line, is shown as 82 miles; but if you go to the Quarter Sessions for the day at Hastings you can go or come back either way and the fare is precisely the same, calculated on the 62 miles. So nobody could have any complaint against the Commission in that respect.

(President): I hope you do not confine it to the Quarter Sessions!

(Mr. Noakes): Other people enjoy this facility on other days, Sir, but I only enjoy it on my trips to Quarter Sessions.

Those are really the only points I wanted to make; I did not intend to embark on any details of finance, on which you may have noticed I have kept singularly quiet throughout the Proceedings.

(President): There is hardly any question of finance which arises from British Railways; we do not need proof that British Railways is not in a flourishing position.

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(Mr. Noakes): No, Sir, but I did not intend to say anything on anything that has come out on financial matters. I did want to stress on behalf of the Corporation really that it is the question of the uncertainty of the position, and they feel that if there is this headroom given now in respect of some certain permissible allowance, it should be perhaps a little headroom but not the 50 per cent. demanded here, and I ask you to take into account in considering your decision which you will make at the conclusion of this Inquiry.

(Mr. Fay): My learned friend Mr. Noakes commenced his remarks with a complaint, as I understood it, that the Commission afforded no information, upon request, after depositing and publishing the scheme.

If he is serious in that, Sir, I would like you to know the nature of the correspondence which passed between the Town Clerk and my clients. The letters I have in front of me are first of all a letter of the 22nd October last from the Town Clerk, saying: "I am writing to enquire whether you have any facts or figures relating to this Draft Scheme which you are prepared to disclose at this stage. Has any press or other statement been given relating to the method or time of implementation of the proposals if the application is granted. At the moment all that I have is the Draft Scheme itself, and if there is anything further which you can tell me about the Transport Commission's proposals I shall be most grateful if you will do so".

The solicitor to the Transport Commission replied a week later on the 29th October, 1958 as follows: "With reference to your letter of the 22nd October, I regret that I have no information which I can make available at this stage. However, the Commission held a Press Conference on the 1st September, i.e. the date the Scheme was lodged, and you may find that the report of this Conference, which appears in the third column on Page 10 of the issue of 'The Times' of the 2nd September, will be of assistance".

Nothing more was heard from Hastings until a month later, when they replied on the 29th November, saying through the Town Clerk: "I refer to your letter of the 29th October, and as on the previous occasion when the Commission sought an increase in fares, must formally protest against the lack of information given by the Commission to enable persons and bodies entitled to object to come to a proper conclusion on whether an objection is merited".

I do not know what more those instructing me could have done. As you know, Sir, there used to be a depositing of documents and memoranda, or several memoranda. That was found to be inconvenient, and what I think is the most convenient course was taken, as has been done on this occasion; that is that the Commission should open its case and put in documents and then that the Inquiry should adjourn for full consideration. On this occasion, as was pointed out by my clients, a Press Conference was held and the Town Clerk was referred to the very full and accurate report which appeared in "The Times" newspaper, so he had all the information that anyone else had.

If it is seriously suggested that anyone is in any difficulty in such circumstances as these, I would suggest that my friend put forward a concrete suggestion, which is bound to involve radical differences in procedure in this Tribunal.

(Mr. Noaks): It is too late now to do anything about this Inquiry, but I would suggest when another Inquiry is mooted that my clients should have some concrete proposal to put to the Commission as to what the Commission can do.

(President): I think on the first Inquiry in which I was concerned, we did order that the Commission's statistical tables and what-not should be furnished by a particular date and whatever statistical tables were to be relied upon by the Objectors should also be furnished, both the orders applying to dates before the Inquiry itself opened. That was found to be inconvenient, and certainly in the case of the Objectors' documents of no use at all because the Objectors very naturally preferred not to formulate their documents until they had heard the case as presented to us. My recollection may be entirely wrong, but I think since that first Inquiry in which I was

concerned we have given no directions about the lodging of documents. As I say, I may be wrong about that.

(Mr. Noakes): No doubt the Corporation will take a note of your remarks, Sir, and those of my learned friend, but if any means can be found by which responsible Objectors could have information about the basis without going into the detail of documents and great masses of tables of that sort, but something further than they have had, it would very much help to allay the fears that naturally spread when a Scheme of this sort is first mooted, and it may help to keep some of that goodwill on which Sir Reginald Wilson placed so much store.

(President): Now, Mr. Wellum.

(Mr. Wellum): If I may start off where Mr. Fay and the other learned gentleman have just left off, I would remind you, Sir, that when I put some questions to Sir Reginald Wilson, the question of the publicity given to the new proposals did arise. Subsequently, outside the Court, I did discuss this question with Sir Reginald, and he agreed with me that it might be of help if some very simple lines of the proposal were given with the actual Scheme itself. In the case of my Association, we had a scheme which appeared to be a parallel of previous Schemes heard before this Tribunal, and we had various newspaper reports which were contradictory. We were not, at the time we formulated our Objections, at all clear as to quite what lines the proposed Scheme was going to take, and that indeed is the reason why our particular objections were in some instances of a rather general nature. But, as I say, Sir Reginald did agree to look into this point, and he hopes to be able to think up some scheme before any new Scheme is put before you.

(President): Yes, there is a great difficulty here. The ordinary way of conveying information is by way of a Press Conference or something of that sort, but it all depends upon the judgment of the individual editor of a paper as to how much he will print in the circumstances of the day, and it certainly is not within the power of the Transport Commission, unless they like to take the whole page of "The Times"—which in itself may only reach a minority of persons—to devise any way by which what they want to say in amplification of their proposals will be known to all those who might be concerned.

(Mr. Wellum): I did suggest to Sir Reginald that a brief memorandum could be put with the Scheme as purchased from the Transport Commission. From some of the newspapers it appeared that the Scheme was one for headroom; from others it appeared that it was not. We have noted here at previous hearings that the word "headroom" has been used; consequently my Association and I myself did not know just how much importance to place upon the newspaper reports quoting "headroom".

(President): But once you had the Scheme, you knew how much importance to place upon it; you had the figure.

(Mr. Wellum): Yes, Sir, but we also had the contradictory newspaper reports, which made it appear that the Scheme was for a flat increase—

(President): But once you had the Scheme, you knew what was in it.

(Mr. Wellum): Not clearly that it was a matter of headroom to the extent which we now know.

May I now turn to our Objections as stated: Our first Objection was on the basis that the Application is contrary to the intention of the Transport Acts. I have already said, and I would like to reiterate, that it is not the view of my Association that the Transport Acts envisaged an increase of 40 per cent. or 50 per cent. for headroom; we feel that is far too great, and we feel that it is whittling away at the powers of this Tribunal. If an increase of this amount is agreed at this stage, Sir, we feel that the next Application might be one for 70 per cent. headroom, or 75 per cent. headroom; it is one of those things where once the thing starts, no one knows where it will end.

Our second Objection is that the proposed increases will operate to the detriment of the community. We have heard that the Railways' costs are going up; I think everyone agree on that—the Railways' costs are going up and everyone else's costs are going up. But with the Railways, as with coal, if the rates go up, they force

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up all the other rates concerned. If railway fares and freight rates go up, the cost of labour and of food and materials goes up. If coal goes up, similar things happen. It is a snowball; if the railway rates go up a certain amount, everyone else's rates go up just that little bit more until the railways find themselves paying out far higher prices for the things they wish to purchase. Consequently we get to the state when they desire to put in a new Fares Scheme and ask for higher fares.

On our Objection No. 3, I think—

(President): Before you leave your second Objection, Mr. Wellum, what is the solution to that dilemma?

(Mr. Wellum): The solution must be that any fares increases that are found to be necessary must be kept to an absolute minimum; that wherever reducing fares will increase the revenue, they should be put into operation. Those are the only solutions which I can offer, apart from the hoary old tale of keeping the costs down to the Nth degree.

I think I called evidence from three Councillors of the three Urban Districts which I am here to represent, who were very fair in the evidence they gave, and I think from that evidence it is very clear what is going to happen if fares go up, at any rate to the amount that is suggested.

As regards those three Urban Districts, the people using the railway will very often try to find alternative means of transport. You heard, Sir, that some people are thinking of using the cars which they already possess; there is also a proposal that may end in the running of coaches. We do appreciate the licensing position as regards coaches, but we do not feel there has been any justification in seeking Counsel's opinion on that as yet, as it is still possible, we feel, that the fares may not go up.

Again, we suggest that other people will cease to travel. Even the Welfare State will not be able to help the Old Age Pensioners to travel, for surely national assistance would not cover visits to relatives, except in very dire circumstances.

At present there is the early morning return fare scheme, which does permit people to travel out of the peak hours at a fare rather lower than that of the ordinary return ticket, and rather lower indeed than the cheap-day tickets available at some stations. These early morning tickets are used by all types of worker; it has been suggested that it is only the manual workers who use them, but we heard evidence that that is not so. Indeed, Sir, I am travelling today on an early morning ticket, and I was doing so yesterday, and I am not a manual worker. They are used very often by people who normally have season tickets, because it is impossible to get season tickets extended for a period of less than one week. Thus, if at the end of one season ticket there is an odd period of two or three days, travelling to work on an ordinary return ticket becomes rather expensive, and people would rather travel a quarter of an hour or half-an-hour earlier and use the early morning ticket. That is the reason for the suggestions (a) and (b) which appear later in our Objection regarding the extension of season tickets by one or more days and the issue of season tickets at the weekly rate, for periods between 7 and 28 days.

(President): I am not quite certain whether I understand the first point, Mr. Wellum. In what circumstances would a person who has had a weekly ticket, not want to renew it until two days after its expiry?

(Mr. Wellum): I was thinking more of the quarterly and monthly tickets, Sir.

(President): Very well, take the monthly season. In what circumstances would a person who has a monthly ticket not want to continue it immediately, but would want to continue it for another month with a gap of two days?

(Mr. Wellum): It is not necessarily a gap of two days.

(President): I thought your suggestion was that it should have extended availability for two days.

(Mr. Wellum): Yes, Sir—not a gap.

(President): But the same point arises. Why, on a monthly ticket, does he not want to get another monthly ticket immediately the first one has expired?

(Mr. Wellum): If my season ticket had expired on the Wednesday of a certain week and I wish to go on holiday

the next week, I certainly would not want to take out another season, and that situation does arise, Sir.

Again, we are asking for these tickets at the weekly rate to be issued for any period of 7 days to 28 days; that would cover the people who work peculiar shifts, such as those who work from a Thursday in one week up to Wednesday in the next. The present weekly ticket is of no help to them whatever. The present weekly ticket commences on a Monday and finishes on a Saturday; the workers in that category have no alternative to a weekly ticket except a monthly ticket, but they would be paying for twice as much transport as they would be likely to use.

There is another category of worker, of course, who works on alternate days—

(President): I am sorry; I am being very obtuse this afternoon, but this point about weekly tickets beginning on a Monday and ending on a Saturday—that is what you said, is it not?

(Mr. Wellum): Yes, I believe so, Sir.

(President): I thought that was what you said. You have to begin at the beginning of the week?

(Mr. Wellum): Precisely.

(President): And you say there is a class of worker who is inconvenienced by that?

(Mr. Wellum): Some part-time workers working on a Thursday up to and including the next Wednesday; they would have to have two weekly tickets to cover one week's work.

(President): But that would be inconvenient only for the first week.

(Mr. Wellum): And in the second week; they are not going to use half of each ticket.

(President): I was wondering about that. This is not a Wednesday, but let us assume that it is a Monday, and let us take the case of a man who is going to begin the job on the coming Wednesday. It is quite true that if he wants a weekly ticket he would have to buy it from Monday?

(Mr. Wellum): Yes, Sir.

(President): He will therefore, having done that, waste two days of its availability?

(Mr. Wellum): Yes, Sir.

(President): That will carry him on until Saturday?

(Mr. Wellum): Yes, Sir.

(President): You say that next week he will be in precisely the same position?

(Mr. Wellum): Yes, Sir; he will be using the Monday, Tuesday and Wednesday, but not the Thursday, Friday and Saturday.

(President): I see; I did not follow.

(Mr. Phillips): I think you said when you started that you were speaking of shift workers, Mr. Wellum; it was not part-time workers?

(Mr. Wellum): I beg your pardon, Sir; that was a slip of the tongue in that respect. There are part-time workers working on Monday, Wednesday and Saturday and Sunday—I know of cases of that sort—and then on the Tuesday, Thursday and Monday, with a two-day period for the week-end; that is on alternate weeks. I must admit that I am unable to think of any scheme which would be of much assistance to a worker in that category, other than the early morning ticket which he at present uses.

There is another point in favour of the early morning ticket; that is that it is at present for the working man, whether manual or white collar, the only thing which does attract him out of the peak periods at either end of the day. If these people buy season tickets, a large number of them will revert to the peak period travel, and I cannot imagine that the British Transport Commission would welcome that.

With regard to our Objection No. 5—

(President): On that point, surely the question of principle is whether we, the Tribunal, think we can manage the passenger traffic of British Railways better than the

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[Continued]

British Railways organisation. On the view you are putting to us, it would be sensible for the Transport Commission in that particular kind of circumstance to continue the early morning ticket?

(Mr. Wellum): That is correct, Sir.

(President): You are afraid that they will not take that sensible course, and you are asking us to see that they do?

(Mr. Wellum): Yes, Sir.

(President): Does that not raise the question of whether we ought to consider ourselves better able to judge what is the sensible course to take than the British Transport Commission?

(Mr. Wellum): I do not think so. In fact, Sir, you will see from our Objection that we did put in these three sections (a), (b) and (c), in case you felt that that should not happen; in other words, in case you felt that the Transport Commission should have the power to stop the early morning ticket. These are alternatives which we are asking you to consider as possible replacements for the early morning ticket. As I have said, they will not cover every type of worker, but they will help most.

(President): Yes, but I want to make my point quite clear to you. You are saying that it would be wise of the Transport Commission to act in this way—it would be wise commercially?

(Mr. Wellum): Yes, Sir, we feel that.

(President): But you are afraid that unless we impose the duty on them, they will not be wise?

(Mr. Wellum): We feel there is that risk.

(President): You are asking us, therefore, to be wiser than the Transport Commission?

(Mr. Wellum): Yes, Sir.

(President): Do you think it likely that on a matter of this importance, we—at all events some of us—who have no knowledge of how to run a railway, are likely to be wiser than the Transport Commission?

(Mr. Wellum): There is a chance that you will agree with us, whereas the Transport Commission will not.

(President): Yes, but I am asking whether you think we are likely to make a wiser decision?

(Mr. Wellum): You are rather asking me to say whether you think a decision against my point of view would be unwise. That is rather an awkward one for me to answer.

(President): Yes. The other answer would be most flattering to us; it would be that anything we said about how to run a railway would be infallible. At least one member of the Tribunal does not hold that view.

(Mr. Wellum): You must accept that I am not one who is given to flattery, Sir.

On the next Objection, Objection No. 5, the question is one of taper on the season tickets. This has been in force for some considerable time, and my Association feels that it is a reasonable thing to have. The amount of the taper, of course, is one thing which is a matter of argument; the British Transport Commission feel that it should not be as great as it is. However, it is the taper which they asked you for in the last Scheme, and which in your wisdom you agreed to. What we are asking here is that this idea of taper at its present rate should be allowed to continue.

The next point of the Association is one of economy. It is one which has been aimed to my knowledge at each hearing of a Fares Scheme since 1951. I am not going into it in great detail other than to say that it has appeared to me that fresh economies seem to be possible every time there is a pay increase on the railways, and to add that my Association does not feel that there is any need for the Transport Commission to offer free gifts or, as other people have termed them, bribes, to get their custom.

Item No. 7 is an item which is a rather difficult one for any Objector to deal with, and no doubt it is rather difficult for you to listen to; it is that of inefficiency. I think most people have seen occasions where various concerns have not been fully efficient; we all see occasions of it from time to time all over the country. However, although it is to be expected that there will be some

small amount of inefficiency around, the burning of railway sleepers does seem to me to be rather incompressible.

In conclusion, Sir, may I say that it is our contention that on the lines operating from the areas I represent, there is no case for an increase of the magnitude suggested, and I would refer you to a paragraph at the bottom of column 2, page 3, of the report of the current hearing.

In that last paragraph Mr. Fay is dealing with subsidies by one section of the Transport Commission to another section, and he says: "... but in all fairness and in commercial practice—and, after all, this is a commercial undertaking—that would, in my submission, be quite wrong as a permanent policy".

It is our contention, and I do not think there has ever been any suggestion to the contrary, that the London, Tilbury and Southend section of London Lines is paying its way. It is our belief that the Liverpool Street to Southend line is now in a similar position, and I would draw your attention again—I am afraid this is going back a little way again—to page 52 of the Fourth Day of the 1953 hearing, at Question 418; Mr. Rougier, questioning Sir Reginald Wilson, said: "And therefore if you had a service that was completely out of date but was paying its way, you would be grateful to it", and Sir Reginald Wilson said: "We are very grateful to Southend".

If one follows the British Railways' argument that if fares go up, receipts, and in this case profits, also go up, the British Transport Commission must have made a considerable sum from the increases on an already profitable service. The only difference between 1953 and now is that then the British Transport Commission wanted more money on a scheme of fair shares from all; now they have carried that to the limit, and they want to change to a commercial basis, that is to get the money where they can.

No doubt Mr. Fay is thinking of his remarks regarding depreciation and renewal of assets, and is bearing in mind that there is an extensive scheme of modernisation on the London, Tilbury and Southend Line at the moment, and that the Liverpool Street—Southend Line has already been modernised. Well, Sir, I have no doubt that the private companies operating those lines up to nationalisation took these things into account, and I am equally certain that the requisite amounts have been contributed since nationalisation, and indeed that the current modernisation has already been paid for. In other words, Sir, we are not here to beg for special terms for our members or for the people in the areas we are representing; we are here to say that it is time for these two lines to cease subsidising other activities. If such increases are levied in our area, our belief is that the Transport Commission will not gain anywhere near what it may expect, and in putting in the increases it will cause a considerable amount of hardship.

That is all I have to say on this occasion, Sir.

(Mr. Fay): Mr. Wellum has referred again today to the burnt sleepers, and perhaps, since I had no instructions yesterday when they were mentioned, you will permit me to tell you what I am now told about the affair.

(President): Yes, Mr. Fay; I was going to ask.

(Mr. Fay): I can give it to you, Sir; it will not be very lengthy. Full enquiries have been made, and it seems that this was a collection of sleepers which lay at the Engineers' Reclamation Depot at Leyton, and since they were old and surplus, tenders were invited for their sale. Timber merchants came and took away all they considered saleable, and they paid for them; the residue, most of which were rotten, found no commercial buyer. They were then offered free of charge to hospitals and institutions in the district if they would collect them, but none of those hospital or institutions would take them. Therefore, the Railway Authorities thought that as they must be got rid of, they had better be burnt, and as they could not burn them in that Local Authority's area—whether it was because it was a clean air area I do not know, but I am told they were not allowed to burn them at Leyton—they shipped them out, I am afraid, to Benfleet. If they had known that Benfleet were Objectors, perhaps they would have sent them a little further along the line. But at any rate they were sent to Benfleet, and complaints about the smoke were received from residents, so the



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[Continued]

burning was stopped. The sleepers are still available, and if anybody wishes to buy any, they can apply at the Stationmaster's office at Benfleet, but I warn them that they are rotten sleepers.

(*Mr. Wellum*): I gather the gang that was burning them would like some of them, if I may put that point to you.

(*President*): I again repeat the invitation to anybody here who wants to address us.

(*Mr. Mercer*): I understand that Sir Edward Milner Holland's position is the same as I indicated to the Tribunal; I indicated that he was in difficulties this week, but that he had intended to come next week, with your approval, Sir. So far as it would meet his convenience, it would be on Tuesday, but in the meantime, if the Tribunal wishes to sit on Monday and requires him to be here, he can be here, and perhaps he could communicate with Mr. Fay and at some later stage it could be decided when he should come?

(*President*): Yes; we have arranged a supply of material for tomorrow and Thursday.

(*Mr. Fay*): And on Friday, Sir; that will be my learned friend Mr. MacKenna.

(*President*): But he said he would only be taking an hour; that may be two hours, but it rather looks as if we may be short of—I had better not say fuel at the moment—by Friday afternoon. There are a number of other people who appear as representing Objectors—

(*Mr. Fay*): Yes, Sir; there is Mr. Dudley Collard who is billed to appear, and Mr. Rippon will want to address you at some time. His Junior is here now.

(*President*): Do you know when Mr. Rippon would like to address us, Mr. Calvoressi?

(*Mr. Calvoressi*): I have no doubt he would like to hear Mr. Lawson out before addressing you, Sir, but after that, as far as I know, he would be available to address you at any time that was convenient to you.

(*President*): If Mr. Lawson is giving evidence on Thursday morning and Mr. MacKenna is going to follow—I forget when you were going to address us, Mr. Grant?

(*Mr. Grant*): On Thursday morning, Sir.

(*President*): Would Mr. Rippon be available on Thursday afternoon, and do you know how long he is going to be?

(*Mr. Calvoressi*): I do not think he will be so very long, but I am told that the day on which he expected to be available was Friday. Mr. Telling would also certainly be available on Friday; he represents the London Passengers' Association.

(*President*): And Mr. Rippon is going to be in difficulty on Friday.

(*Mr. Mercer*): I am also now informed that Mr. Dudley Collard, who unfortunately is ill with influenza, had hoped to come next week to make his address.

(*President*): I think Mr. Rippon ought to come to be prepared to address us on Thursday afternoon.

(*Mr. Fay*): I think that leaves Mr. MacLaren on behalf of outside the London County Council. His clients would not seem to be dependent upon the evidence of the accountants in the way in which some advocates appear to be.

(*President*): Then he might come on Friday afternoon?

(*Mr. Fay*): Yes, Sir.

(*Mr. Mercer*): I could inquire about that, and I will inform the Tribunal about it tomorrow.

(*President*): Yes; we are getting to the stage at which we cannot just sit and have people dropping in. We may even take the extreme step of saying that they must come on a particular day.

(*Mr. Mercer*): Yes, Sir; I understand Mr. MacLaren would keep himself available for any time, but I am not certain whether he would not wish to go after Sir Edward Milner Holland.

(*Mr. Fay*): What about tomorrow afternoon, Sir? You have not lined anybody up for then, and I am certain that I shall be finished with Mr. Hill by lunch-time.

(*President*): Mr. Mercer, can you say whether Mr. MacLaren would be available tomorrow afternoon?

(*Mr. Mercer*): I am not certain, Sir; I cannot inform you of that. I am not certain whether he would wish to make his speech after Sir Edward Milner Holland.

(*President*): I wonder why? They represent different interests.

(*Mr. Mercer*): Yes, Sir, but I cannot be sure; I have not discussed this with him. I understand that that is the desire of those who are instructing him; apparently there may be some matters that he might like to adopt on what Sir Edward says, which would shorten what he has to say accordingly.

(*President*): I think somebody ought to communicate with him and say that we expect to see Mr. MacLaren here tomorrow to tell us what he is going to do. We must, so far as possible, make the proceedings continuous.

(*Mr. Fay*): Then it will be Sir Milner next week, and we hope no one else; we hope to have concluded the others by then. Some of us are getting a little apprehensive as to how far into next week these proceedings are going to go; speaking for myself, Sir, I had hoped to be somewhere on the Thursday of next week.

(*President*): You are making the closing speech, Mr. Fay; it rather rests with you. Will you want any period of time before you make it?

(*Mr. Fay*): I should not have thought so.

(*President*): Then it looks as if we shall be free by Thursday of next week.

(*Mr. Fay*): I should certainly have thought so, but I was beginning to wonder, having heard so many of my friends asking for next week.

(*President*): We cannot sit next Wednesday in fact.

(*Mr. Fay*): If you please, Sir; we will hope for the best.

(*President*): Perhaps by tomorrow morning someone on the staff of the Tribunal will supply me with a table showing the various appointments we have made, and if Mr. MacLaren is here, and we have the latest information about Mr. Rippon, we may be a little further forward.

(*Mr. Fay*): I am obliged, Sir.

(*Mr. Wellum*) (*Senior*): I would be glad if you would give me some advice, Sir; you did extend an invitation to anybody present who wanted to say anything. I am not on the official list of Objectors, but I have also been sent by the Benfleet Ratepayers' Association. I am on their Committee, but I am not on the official list of Objectors. Is it in order for me to speak?

(*President*): Our practice is to allow almost anyone to speak, but not to give evidence; they can address us provided they do not cover ground which has already been covered at least twice. Are you ready to address us now?

(*Mr. Wellum*): Yes, Sir.

(*President*): Then I think we will hear you.

(*Mr. Wellum*): My name is Wellum, Sir; I am actually the father of the other Mr. Wellum.

(*President*): You are representing whom?

(*Mr. Wellum*): I am representing the Benfleet Railway Travellers' Association.

(*President*): I thought we had had them already.

(*Mr. Wellum*): Yes, Sir.

(*President*): I do not think we can have two speeches on behalf of the same body, Mr. Wellum.

(*Mr. Wellum*): That is what I was wondering. You did extend the invitation to anybody present.

(*President*): I did not really mean to extend it to every member of the Railway Travellers' Association.

(*Mr. Wellum*): There is nobody else present I can assure you.

(*President*): I think that would be going too far, Mr. Wellum. If you want to say something which you think it will be useful for us to know, you can put it in writing and send it to us; but I do not think we would be assisted greatly by an address.

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(Mr. Wellum): There are only two very short points, Sir, and it would not take two minutes. Is that in order?

(President): Very well.

(Mr. Wellum): One is this, that Mr. Fay in his remarks seemed to make a very strong point of the fact that as the cost of living has gone up, therefore the fares must go up. Now, I have been here part of the time, but I have not heard it stated that the cost-of-living increase

has been spread over many, many years. It has not gone up suddenly by 40 per cent. I do not know any article included in the Cost-of-Living Index that has gone up suddenly by anything like 40 per cent., and it strikes me as being a fair argument to say that it is not just for the railway passengers' fares to be put up suddenly if it is related to the cost-of-living index. That is all I wanted to say, Sir.

(President): Thank you very much. Is there anybody else who wishes to address us? (No reply.)

(Adjourned until to morrow morning at 10.30.)

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[Continued]

## CORRIGENDA

## PROCEEDINGS, EIGHTH DAY—FRIDAY, 6TH FEBRUARY, 1959

- Page 184, column 2, Question 2542, line 1—insert "if" between "see" and "I"
- Page 186, column 1, Question 2566, line 15—delete "under which"
- Page 186, column 2, Question 2577, line 19—delete "also"
- Page 187, column 1, Question 2580, line 11—for "and" read "under"
- Page 187, column 1, Question 2581, line 21—for "maintenance" read "overhaul"
- Page 187, column 1, Question 2585, line 2—for "£5" read "£5.8m."
- Page 187, column 2, Question 2588, line 19—for "your" read "our"
- Page 187, column 2, Question 2588, line 20—for "your" read "our"
- Page 187, column 2, Question 2588, line 21—for "your" read "our"
- Page 187, column 2, Question 2588, line 25—for "your" read "our"
- Page 189, column 1, Question 2612, line 6—for "exchanged" read "exchange"
- Page 190, column 2, Question 2633, line 2—for "but" read "and"
- Page 190, column 2, Question 2633, line 5—insert full stop instead of comma after "done"
- Page 190, column 2, Question 2633, line 5—for "on" read "And"
- Page 190, column 2, Question 2635, line 10—after "revenue" delete comma
- Page 190, column 2, Question 2635, line 11—after "capital" delete comma
- Page 190, column 2, Question 2636, line 6—for "1948" read "1947"
- Page 192, column 1, Question 2679, line 2—for "no" read "not"

## PROCEEDINGS, NINTH DAY—MONDAY, 9TH FEBRUARY, 1959

- Page 199, column 1, Question 2692, line 4—for "separate packets for what you are doing" read "separate packets which is what you are doing"
- Page 199, column 2, Question 2694, line 5—insert "1947" before "Act"
- Page 200, column 2, Question 2707, line 14—for "from" read "for"
- Page 200, column 2, Question 2709, line 8—for "from" read "for"
- Page 201, column 1, Question 2720, line 13—for "for" read "in"
- Page 201, column 1, Question 2720, line 23—for "Maintenane" read "Maintenance"
- Page 201, column 2, Question 2724, line 26—for "are" read "were"
- Page 201, column 2, Question 2724, line 28—for "are" read "were"
- Page 201, column 2, Question 2724, line 29—for "including" read "included"
- Page 201, column 2, Question 2728, line 2—for "they" read "we"
- Page 202, column 1, Question 2737, line 14—for "deficits" read "debts"
- Page 202, column 1, Question 2737, line 17—for "MHL" read "WHL"
- Page 202, column 1, Question 2741, line 4—for "overhaul" read "renewal"
- Page 202, column 1, Question 2742, line 10—for "assessment to" read "assessment of"
- Page 202, column 2, Question 2742, line 4—for "years in" read "years. In"
- Page 202, column 2, Question 2742, line 7—for "past. We" read "past, we"
- Page 202, column 2, Question 2742, line 12—for "assess" read "assessed"
- Page 202, column 2, Question 2742, line 14—for "would" read "should"
- Page 202, column 2, Question 2742, line 15—for "something out of" read "something provided out of"
- Page 202, column 2, Question 2742, line 17—for "account" read "amount"
- Page 202, column 2, Question 2742, line 18—for "1954 and 1956" read "1954 to 1957"
- Page 202, column 2, Question 2742, line 30—for "appreciation on" read "equalisation in"
- Page 202, column 2, Question 2749, line 2—delete "to" after "reversed"
- Page 203, column 1, Question 2765, line 4—delete "the" before "1957", insert "the" before "1958" and for "budgets" read "budgets"
- Page 203, column 1, Question 2771, line 4—for "and" read "an"
- Page 203, column 2, Question 2771, line 2—for "expenditure in" read "expenditure. In"
- Page 203, column 2, Question 2771, line 3—for semi-colon read comma
- Page 203, column 2, Question 2773, line 9—for "combination of a" read "continuation of the"
- Page 203, column 2, Question 2779, line 1—delete first "be" and insert "to"
- Page 203, column 2, Question 2781, line 6—for "£0.2m." read "£1.2m."
- Page 204, column 1, Question 2787, line 3—for "and" read "to"
- Page 205, column 1, Question 2818, line 4—for "£6m." read "£16m."
- Page 205, column 1, Question 2824, line 9—for "£4m. for the surplus, and I cannot" read "£4m. surplus funds. I cannot"
- Page 205, column 2, Question 2829, President's first comment, line 2—for "Q.635" read "Q.639"
- Page 207, column 2, Question 2870, line 8—for "Year 1" read "Year 11"
- Page 208, column 2, Question 2890, line 3—insert "the years" after "through"
- Page 209, column 1, Question 2901, line 13—for "shareholders" read "passengers"
- Page 209, column 2, Question 2901, line 1—for "building" read "business"
- Page 209, column 2, Question 2901, line 9—insert "not" before "selfish"
- Page 210, column 1, Question 2910, lines 3 and 4—for "due course" read "advance"
- Page 210, column 1, Question 2917, line 3—for "can see" read "cannot say"
- Page 211, column 1, Question 2930, line 1—for "follow" read "followed"
- Page 211, column 2, Question 2948, line 4—for "again" read "against"
- Page 212, column 1, Question 2954, line 9—for "157" read "1957"
- Page 213, column 1, Question 2981, line 2—for "about" read "of our"

## PROCEEDINGS, TENTH DAY—WEDNESDAY, 11TH FEBRUARY, 1959

- Page 236, column 1, Question 3533, line 3—for "Pender, Griffith & Coy." read "Plender, Griffiths & Coy."
- Page 237, column 2, Question 3548, line 5—for "includes" read "included"
- Page 237, column 2, Question 3548, line 5—for "is" read "was"
- Page 237, column 2, Question 3548, line 8—for "consists" read "consisted"
- Page 237, column 2, Question 3548, line 9—for "in the past" read "in a past"
- Page 238, column 1, Question 3553, line 29—for "£1.6m." read "£1.5m."
- Page 238, column 1, Question 3553, line 32—for "£1.6m." read "£1.5m."
- Page 238, column 1, Question 3553, line 33—for "£1.6m." read "£1.5m."
- Page 238, column 2, Question 3556, line 7—for "fours" read "four"
- Page 238, column 2, Question 3556, line 10—for "WHL 1" read "WHL 7"
- Page 238, column 2, Question 3560, line 2—for "£1.185" read "£1.185m."
- Page 238, column 2, Question 3562, line 4—for "creditors" read "Creditors"
- Page 238, column 2, Question 3564, line 8—delete "to the fund"
- Page 239, column 1, Question 3566, line 2—for "renewals in" read "renewals. In"
- Page 239, column 1, Question 3566, line 3—for "1959 to 1963. Again" read "1959 to 1963, again"



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